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'All Savers'-- Doing What It Is Supposed to Do?

AT STATE ANNUAL CONVENTIONS

Maine Savings Bankers View Self-Help, Profit Goals

New Hampshire Focus Is on Implementing New State Laws

Industry Mounts Campaign in Congress to Put Brake on DIDC

The Case for Mutuality

Also: Industry Marketing Expenditures Up ■ Recommends Stock Alternative for Federals ■ Deregulation to Be Key Midyear Meeting Topic

Savings Bank Journal

"More Than Sixty Years of Continuous Publication"

Volume 62

Since NAMSB 1920

Number 9

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Critical Issues on 'Midyear' Agenda

Convening at a time marked by intensifying competition and federal deregulation moves, NAMSB's upcoming Midyear Meeting will highlight the critical issues concerning industry competitive strategies in this environment, and it will include a major discussion on the stock alternative for savings banks. Some 600 savings bankers are expected to attend.

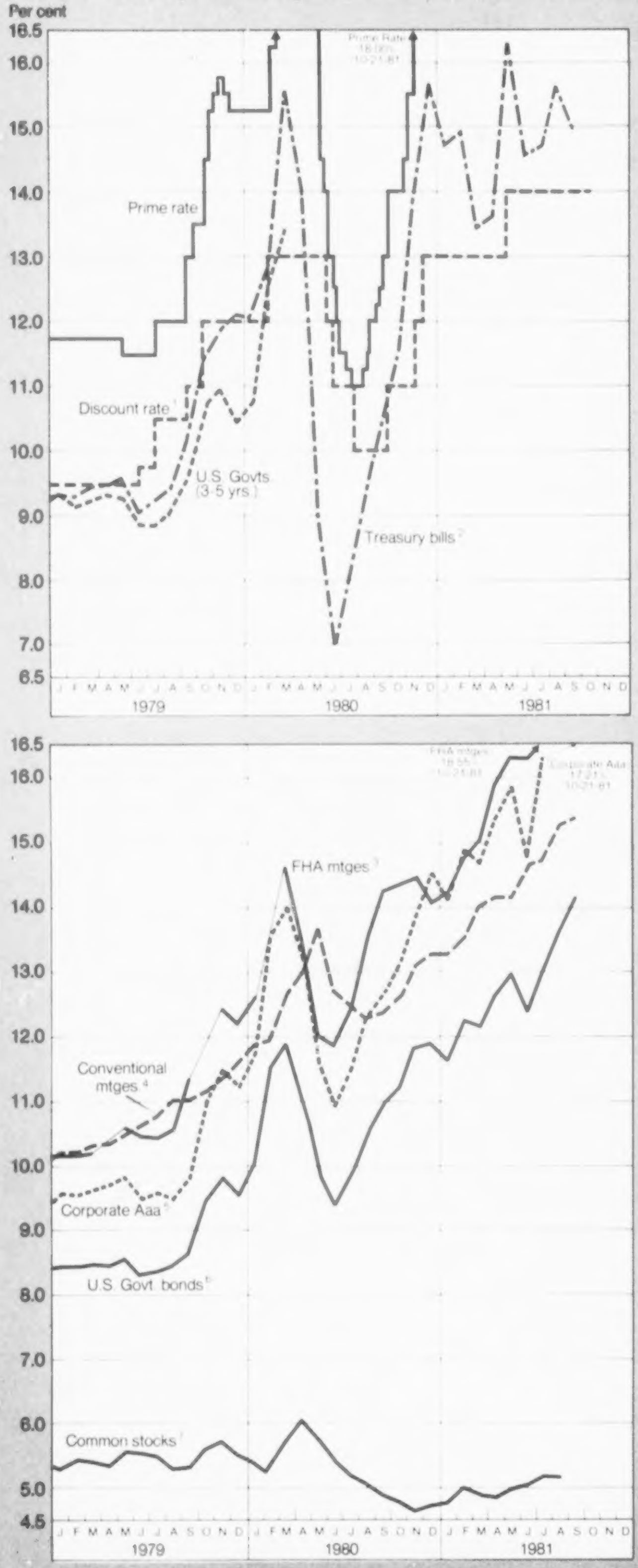
Among the scheduled speakers for the December 7-8 meeting in New York City is Federal Reserve Board Vice Chairman Frederick H. Schultz, who will be the opening day's luncheon speaker. In addition, a key member of the Senate Banking Committee will address the first day's business session on the prospects for enactment of major banking legislation.

The Midyear Meeting business sessions will begin Monday morning with an address by NAMSB Chairman Robert R. Masterton, president and CEO, Maine Savings Bank, Portland. In his talk, Masterton will discuss NAMSB's response to federal deregulation developments.

Then, Masterton will participate with top elected officials of the U. S. League of Savings Associations, the National Savings and Loan League, the American Bankers Association and the Credit Union National Association in a panel discussion on "Competing for

(continued on page 36)

SBJ Money and Capital Market Yield Trends



[1] Federal Reserve Bank of New York. [2] Three months, new issue rate. [3] Average secondary market yield on new construction; sec. 203, 30-year maturity, 15-year pre-payment and minimum down-payment. [4] Effective rate for purchase of new single-family homes. [5] New issues. [6] Maturing or callable in 10 years or more. [7] Standard & Poor's 500 stocks dividend-yield ratio.

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LENDER

Midyear Meeting—

Saver's Dollars in a Deregulated Environment." NAMSB President Saul B. Klaman will moderate the panel.

During the Midyear Meeting, NAMSB standing committees and board of directors will convene in separate sessions, with 12 of the committees scheduled to meet Monday afternoon. They will discuss their current programs as well as new ones for the coming year.

The second day of the two-day meeting will begin with an executive session during which delegates will review the report of NAMSB's Special Committee on Capital Adequacy, a key element of which is a recommendation for authorization of the stock form for federal savings banks (see page 12).

Also at the executive session, the stock form will be taken up in another way: delegates will discuss a possible change in the National Association's bylaws to permit the membership of stock institutions.

The closed executive session will include a report by consultant Arthur D. Little on the possible areas of savings bank participation in international banking via International Thrift Ltd., a savings bank corporation chartered last summer.

Following the closed session, the business program will conclude with a report on the outlook for the economy and savings banking, presented by George Hanc, NAMSB's first vice president, chief economist, and director/New York office.

Mortgaging trends

Rates rise. The average effective interest rate on home loans closed climbed higher while the average purchase price for homes eased between August and September, the FHLB Board reported last month. On loans for new homes, the rate rose to 15.37% in September from August's 15.27%, and for existing homes, it increased to 15.83% from 15.54%.

The Board reported that the average purchase price for new homes dropped to $87,600 in September from $98,100 in August, and for existing homes, to $69,000 from $70,300.

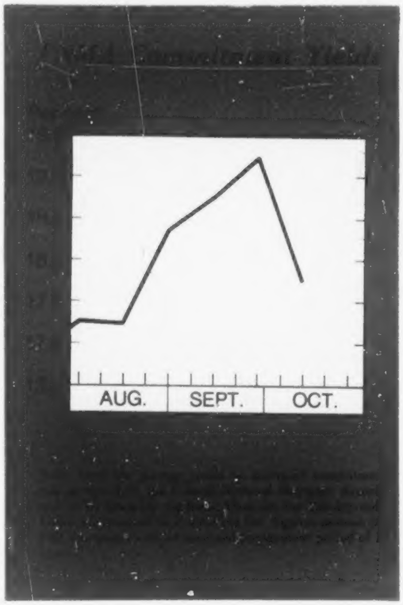
The average term-to-maturity on loans for new and existing homes also dropped in this period, to 26.4 years from 27.2 for new homes and to 25.6 years from 25.7 for existing homes.

Starts fall. Housing starts dropped to a seasonally adjusted annual rate of 918,000 in September, compared with 934,000 in August. It marks the lowest level since February 1975, the Commerce Department reported.

Multifamily units, at a 303,000 start-rate in September, accounted for the drop. Single-family starts rose to 615,000 from August's 598,000.

Building permits issued in September were also down, at an 844,000 annual rate, compared with 865,000 in August.

Acquires loan unit. The mortgage banking subsidiary of Citizens Savings Bank FSB, Ithaca, N.Y., recently expanded into new territory, with the acquisition of the Washington, D.C., division of Unity Mortgage Corp., based in Chicago.



Under the purchase terms, the bank's American Home Funding, Inc., acquired the division's production facilities, in Annadale, Va., and Columbia, Md. Unity's parent company, Unity Savings Association, Chicago, has retained servicing of the division's loans.

American Home was set up two years ago and has offices in Ithaca, N.Y., and in Charleston, S.C.

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Prepared by NAMSB's Research Department
Jack Rubinson, Director

DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS

(Amounts in millions of dollars, accounts in thousands)

Period	Amounts Deposited	With-drawals	Net change in deposits			Number of accounts	
			Excluding interest	Including interest			
				Amt.	%	Total	Net Change
Annually							
1979	122,026	128,987	—6,962	2,659	1.88	31,250	685
1980	162,537	167,400	—4,863	6,851	4.76	32,462	1,212
Monthly							
1980—Sept.	14,388	14,848	—460	1,377	.93	n.a.	n.a.
Oct.	17,211	17,380	—169	403	.27	n.a.	n.a.
Nov.	10,983	11,210	—227	312	.21	n.a.	n.a.
Dec.	13,158	13,797	—639	1,255	.84	32,462	n.a.
1981—Jan.	13,734	14,713	—979	—365	—.24	n.a.	n.a.
Feb.	10,675	11,061	—385	296	.20	n.a.	n.a.
Mar.	13,354	14,111	—757	1,224	.81	n.a.	n.a.
Apr.	15,440	17,465	—2,025	—1,234	—.81	n.a.	n.a.
May	13,164	13,839	—676	148	.10	n.a.	n.a.
June	12,791	14,183	—1,392	618	.41	n.a.	n.a.
July	14,997	16,928	—1,931	—1,153	—.76	n.a.	n.a.
Aug.	14,354	15,720	—1,366	—407	—.27	n.a.	n.a.
Sept. (Est.)	n.a.	n.a.	—1,500	550	.36	n.a.	n.a.

n.a.—not available. Est.—estimated. Source: NAMSB.

Note: Annual and monthly data for net change in deposits including interest and net change in number of accounts have been adjusted, where necessary, to exclude the effects of conversions and consolidations of savings banks and other types of institutions. Components may not add to totals due to rounding.

Net Change in Savings Bank Deposits, Including Interest, by Type of Account

(amounts in millions of dollars)

		Market Linked			Fixed Rate		
	TOTAL	Total	6-mo. CDs	30-mo. CDs	Total	Ordinary Savings	Time
1980—Aug.	610	507	—250	756	103	454	—351
Sept.	1,377	850	—45	895	526	468	59
Oct.	403	2,418	1,296	1,122	—2,014	—1,007	—1,008
Nov.	312	2,103	1,633	470	—1,791	—1,395	—396
Dec.	1,255	4,717	4,167	549	—3,461	—2,309	—1,153
1981—Jan.	—365	2,483	1,858	625	—2,847	—1,234	—1,613
Feb.	296	1,700	1,341	359	—1,405	—702	—703
Mar.	1,224	930	401	528	294	985	—691
Apr.	—1,234	397	—113	510	—1,631	—733	—898
May	148	1,941	1,841	101	—1,793	—1,147	—646
June	618	839	526	313	—221	331	—551
July	—1,153	1,132	942	190	—2,285	—948	—1,337
Aug.	—407	2,337	1,000	1,337	—2,744	—1,507	—1,237
MEMORANDA:							
Outstanding Deposits							
Aug. 31, 1980	148,018	52,906	43,532	9,374	95,112	58,191	36,921
Aug. 31, 1981	151,075	74,741	58,347	16,394	76,334	49,149	27,184
Percent Distribution of Outstanding Deposits							
Aug. 31, 1980	100.0	35.7	29.4	6.3	64.2	39.3	24.9
Aug. 31, 1981	100.0	49.5	38.6	10.9	50.5	32.5	18.0

Source: NAMSB.

ACCORDING TO a special survey conducted by NAMSB, the savings bank industry attracted an estimated $2.7 billion into All Savers Certificates during the first nine calendar days of October. About one-fifth of the total volume of funds flowing into the ASCs represented "new money." Internal transfers from existing accounts accounted for the remaining four-fifths share, with funds from maturing six-month CDs representing the largest source of ASC purchases, followed by shifts from passbook accounts and conversions of consumer repurchase agreements.

The enthusiastic public response to savings bank offerings of All Savers Certificates encourages hopes that overall savings bank deposit trends will improve in the months ahead. Preliminary evidence available for early October tentatively supports this expectation. During the first half of the month, savings and time deposit experience at many savings banks compared favorably with corresponding 1980 and 1979 periods.

Meanwhile, savings bank earnings positions continued under severe pressure in the third quarter of 1981. In the July-August period, combined savings banks experienced a net reduction in surplus accounts equivalent to $306 million, or 108 basis points, on assets at an annual rate. This brought the cumulative shrinkage in general

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Monthly

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- **Deposit Activity.**
- **Assets and Liabilities.**

Semiannual

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Annual

- **Assets and Liabilities (by states—August SBJ)**
- **Income and Expenses (by states, October SBJ).**

reserve accounts to $854 million in the first eight months of 1981, virtually assuring a $1 billion-plus reduction for all of 1981.

As in previous months, the continued weakening in bottom-line earnings positions of savings banks reflected intensified deposit cost-pressures. Increases in such expenses were about double the rise in gross operating income during the third quarter, NAMSB estimates. All told, close to 60% of the total number of savings banks and nearly 90% of savings banks with assets of $500 million or more operated in the red during the July-August period. This was significantly higher than the 50% and 77% proportions, respectively, in the first half of 1981.

(END)

DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS,[1] BY STATES

(Amounts in thousands of dollars)

State	August 1981					August 1980				
	Amounts Deposited[2]	Withdrawals	Net Change in Deposits			Amounts Deposited[2]	Withdrawals	Net Change in Deposits		
			Excluding Interest	Incl. Interest				Excluding Interest	Incl. Interest	
				Amt.	%				Amt.	%
Connecticut	1,420,719	1,428,049	—7,330	72,141	.52	1,035,851	1,037,891	—2,040	88,994	.68
Indiana	17,090	17,256	—166	119	.05	13,350	11,939	1,411	2,922	1.26
Maine	271,004	289,380	—18,376	1,615	.06	242,563	233,453	9,110	24,111	.99
Maryland	132,258	139,403	—7,145	4,215	.25	108,996	108,567	429	4,700	.30
Massachusetts	2,379,497	2,569,942	—190,445	—12,575	—.06	1,935,404	1,940,674	—5,270	134,154	.64
New Hampshire	310,540	331,869	—21,329	1,764	.07	238,905	233,536	5,369	20,789	.86
New Jersey	562,051	623,227	—61,176	12,961	.14	712,306	746,107	—33,801	27,600	.33
New York—City	4,604,115	5,468,035	—863,920	—776,402	—1.41	3,813,422	3,788,515	24,907	118,244	.22
—Upstate	2,203,655	2,343,734	—140,079	233,119	.99	1,553,109	1,618,852	—65,743	40,423	.18
Pennsylvania	1,569,828	1,531,112	38,716	120,240	.94	1,174,384	1,151,236	23,148	82,400	.67
Rhode Island	128,721	133,185	—4,464	5,685	.33	114,636	115,321	—685	6,414	.39
Vermont	116,926	116,240	686	6,970	.84	65,090	60,487	4,603	8,268	1.02
Washington	396,639	451,953	—55,314	—48,797	—1.25	366,477	354,436	12,041	17,224	.45
Wisconsin	7,232	7,507	—275	—465	—.56	7,282	7,851	—569	—447	—.56
All other states	233,588	269,253	—35,665	—27,437	—1.16	266,034	238,103	27,931	34,107	1.44
Total	14,353,863	15,720,145	—1,366,282	—406,846	—.27	11,647,809	11,646,968	841	609,903	.41

Note: See notes to "Assets and Liabilities of All Mutual Savings Banks."

[1] Excludes special purpose accounts such as checking, Christmas, vacation and school. [2] Excludes interest credited.

Source: NAMSB.

ASSETS AND LIABILITIES OF ALL MUTUAL SAVINGS BANKS

(Amounts in millions of dollars)

Date		Mortgages	GNMAs	Investments				Other assets	Total assets-Total liabilities & gen. res. accts.	Deposits			Other liabilities	General reserve accounts
				U.S. Govt. & Federal agencies	State & local Govt.	Corporate bonds	Corporate stocks			Total*	Savings	Time		
1975	**Dec. 31**	77,221	3,367	7,507	1,545	17,536	4,322	9,558	121,056	109,873	69,653	39,639	2,755	8,428
1976	**Dec. 31**	81,630	5,808	9,109	2,417	20,335	4,381	11,131	134,812	122,877	74,535	47,426	2,884	9,052
1977	**Dec. 31**	88,195	8,331	9,233	2,828	21,498	4,751	12,450	147,287	134,017	78,005	54,739	3,292	9,978
1978	**Dec. 31**	95,157	10,021	8,297	3,333	21,566	4,807	14,991	158,174	142,701	71,816	69,354	4,565	10,907
1979	**Dec. 31**	98,908	11,820	7,658	2,930	20,507	4,760	16,821	163,405	146,006	61,123	82,947	5,873	11,525
1980	**Sept. 30**	99,306	13,645	8,434	2,728	21,591	4,373	19,332	169,409	151,765	58,658	90,736	6,300	11,344
	Oct. 31	99,523	13,741	8,622	2,754	21,631	4,348	19,813	170,432	151,998	57,651	92,146	7,117	11,317
	Nov. 30	99,677	13,900	8,715	2,736	21,653	4,335	20,110	171,126	152,133	56,256	93,853	7,645	11,348
	Dec. 31	99,865	13,849	8,949	2,390	21,209	4,224	21,078	171,564	153,501	53,971	97,445	6,694	11,368
1981	**Jan. 31**	99,816	13,951	9,000	2,378	21,211	4,094	21,440	171,891	153,143	52,737	98,314	7,426	11,322
	Feb. 28	99,739	13,955	9,032	2,376	21,159	4,109	21,979	172,349	153,332	52,035	99,311	7,753	11,264
	Mar. 31	99,719	13,997	9,203	2,359	21,150	4,089	22,717	173,232	154,805	53,049	99,581	7,265	11,163
	Apr. 30	99,798	13,944	9,262	2,314	21,259	4,044	22,216	172,837	153,692	52,331	99,098	8,103	11,042
	May 31	99,790	13,952	9,296	2,328	21,202	3,957	23,252	173,776	153,891	51,212	100,447	8,962	10,923
	June 30	99,993	13,994	9,230	2,337	20,567	3,856	24,410	174,387	154,926	51,594	101,009	8,634	10,827
	July 31	100,072	13,990	9,363	2,297	20,616	3,819	24,481	174,637	153,797	50,647	100,803	10,179	10,661
	Aug. 31	100,157	13,986	9,375	2,335	20,482	3,785	24,952	175,072	153,429	49,149	101,926	11,119	10,524
	Sept. 31 (Est.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	154,079	n.a.	n.a.	n.a.	n.a.
% of Total Assets														
Aug. 31, 1981		57.2	8.0	5.4	1.3	11.7	2.2	14.3	100.0	87.6	28.1	58.2	6.4	6.0
Change during month		77	—4	4	37	—133	—34	448	395	—400	—1,507	—1,101	935	—139

Note: Balance sheet data beginning with April 30, 1979 are not strictly comparable with prior months. This largely reflects: (1) changes in FDIC reporting procedures; and (2) reclassification of certain items.

n.a.—not available. Est.—estimated. Source: NAMSB.

* — Total deposit figures include checking, school, club and certain other accounts not shown separately.

Note: GNMA figures refer to all types of mortgage-backed securities guaranteed by the Government National Mortgage Association.

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Connecticut Annual Warned on Deregulation, Unregulated Competition

Industry Spokesmen on...

...the need for low-coupon mortgage exchange

...the need for maximum flexibility in restructuring law

Gearing Up for Loan Collection Side of Consumer Lending

New York Convenes Abbreviated Annual Convention

Secondary Market Viability a Top Mortgage Banker Concern

Also: Metropolitan Acquires Greenwich with FDIC Assistance ■ New York State Eases Franchise Tax on Thrifts ■ Marketers View Options In 1980s ■ League Annual Sights on Added Powers ■ FHLBB Approves Two Federal Charters ■ Ties Housing Role to Expanded Thrift Powers

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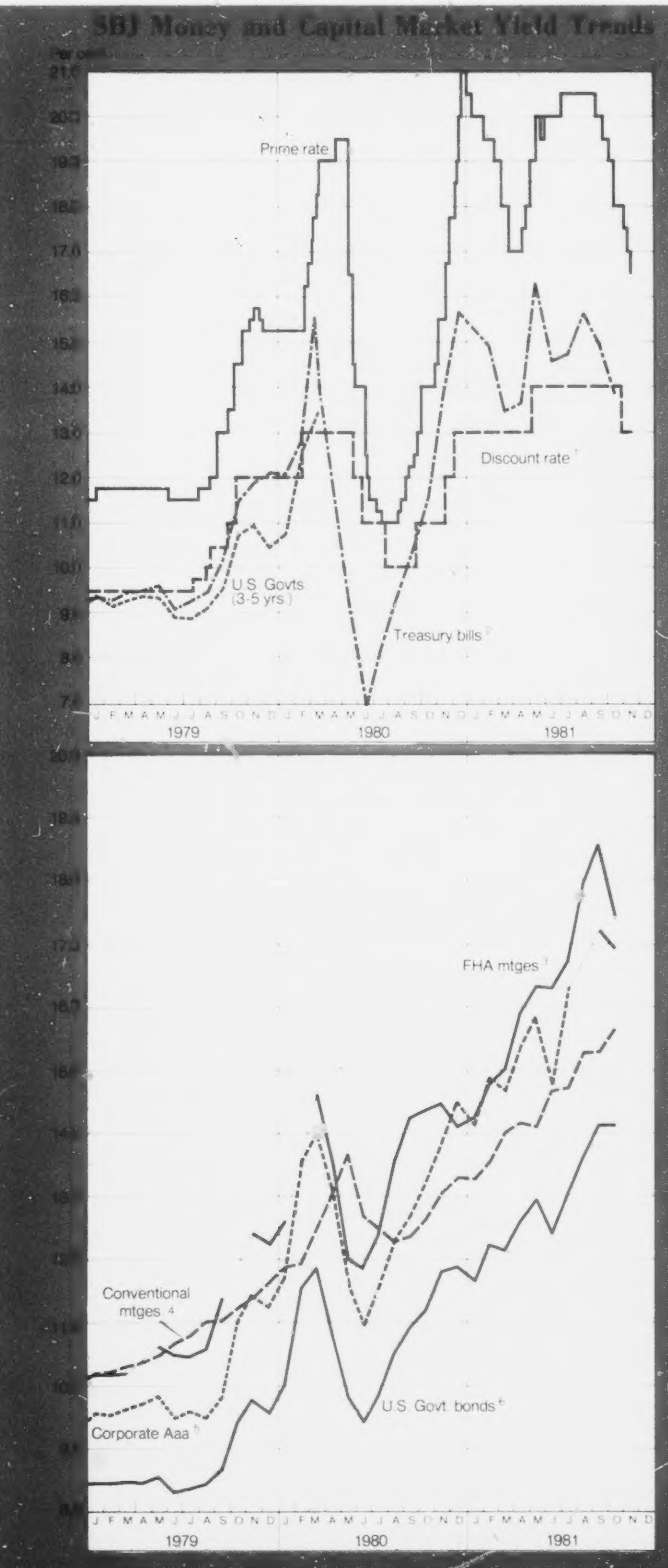
SBJ Money and Capital Market Yield Trends



[1] Federal Reserve Bank of New York. [2] New issues [illegible] average [illegible] market yield on new [illegible] [illegible] [illegible] [illegible] and [illegible] [3] Effective rate for purchase of new single family homes. [5] New issues. [6] Maturing or callable in 10 years or more.

NAMSB Schedules 'No Frills' Workshops

Responding to belt-tightening policies prevalent throughout the industry, NAMSB last month announced it would sponsor 25 low-cost bank operations workshops in 15 cities located in five states, between now and May 1982.

NAMSB has billed the workshops as "no frills"—and with good reason: the nominal cost of $20 to $50 per workshop per attendee is obtained by eliminating the expense of hotel rooms, meals and long-distance travel.

The workshop topics cover three timely operations areas: teller operations, with an emphasis on security; cash management; and operations for IRAs and Keoghs.

The workshops are organized into five series, including two series each for the teller operations and cash management programs. The first workshop series, on teller operations, began last month on November 30 and ran through December 10. The final workshop series, on cash management, will begin April 13, 1982, and conclude May 11.

Specific date and location details are listed on page 56.

Federal Charters—

without FDIC retaining some authority over the converted institution. The 100% indemnification provision is included in pending broader thrift powers legislation.

At Albany Savings, Crawford said his bank's conversion decision will depend on the contents of the FHLB Board resolution, as well as a determination on "whether or not there has been a significant change in the attitude of the state legislature" concerning savings bank powers.

Poughkeepsie Savings' Kinkade said, "We're not anticipating any difficulties with the resolution . . . we're just waiting to see what it contains."

Albany Savings filed its federal charter application more than a year ago (September 1980 **SBJ**, page 9); Poughkeepsie filed in late November 1980 (January **SBJ**, page 9).

Mortgaging trends

Upgrading mortgage portfolios. A subsidiary of The Philadelphia National Bank has designed a "turn-key" program for upgrading financial institutions' low-yielding mortgage portfolios.

The subsidiary, called Program To Upgrade Mortgage Portfolios or PUMP, provides a team of financial consultants, sales staff and operations personnel to carry out the program. They begin by analyzing a bank's mortgage portfolio, and, with the help of a computer, calculating the impact on the lender and borrower of the upgrading alternatives. Then PUMP follows-up with phone calls and letters to selected mortgagors.

At the core of the PUMP program are six upgrading options offered to a bank's mortgage customers: mortgage prepayment at a discount; a one-time mortgage payment reducing the principal balance in return for a bonus; a reduced interest rate, increased monthly payment, and shortened mortgage term; decreased monthly payment, increased interest, and extended term; a lump sum cash incentive for increased interest rate, and extension of the loan term with payments kept stable; and mortgage refinancing for a bonus and a new higher loan at or below the market rate.

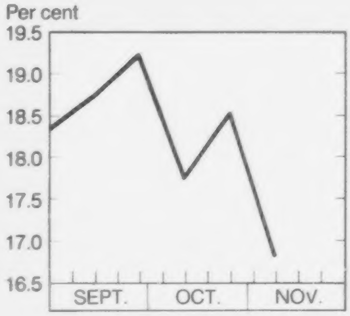
According to David A. Cramer, PUMP's project manager, the PUMP team together with bank officials decide which mortgage customers to solicit and which or all of the six options to offer based on an analysis of the bank's liquidity needs, five-year reinvestment profile and desired break-even point. A direct mail campaign is then mounted by PUMP on the letterhead of "Mortgage Planning Service." The direct-mail letter is personalized with the bank's name and mortgagor information.

One of the early subscribers to PUMP is New York City's The New York Bank for Savings. In September, 9,300 of the bank's mortgage customers with loans bearing interest rates from 5% to 10.75% were solicited via one of PUMP's direct mail marketing letters—a "full-text" letter, a "teaser" letter or questionnaire.

According to Cramer, of the 3,000 customers sent the full-text letters, which outlined their current and proposed mortgage payments under the six options, 4% took a new mortgage plan. About half of these chose the accelerated periodic payment, thus drastically reducing their mortgage terms and increasing the bank's cash flow; the others opted for full or partial payoff or refinancing with a seven-year balloon mortgage at a below-market rate.

Based on the response, The New York Bank for Savings, over a five-year period will gain an enhanced cash flow of $720,000 and an earnings enhancement of $214,000. PUMP's fee: 20% of the enhanced earnings.

FNMA Commitment Yields



Note: Data are average yields on mortgage commitment bids accepted by the Federal National Mortgage Association at its biweekly auctions. Data are for 120-day bids. Yields are gross of ⅜% servicing fee. Figures assume 30-year mortgages with an assumed prepayment period of 12 years.

The look of AMLs. The adjustable mortgage loans offered by a number of savings and loan associations do not impose as much risk on such borrowers as they potentially could under federal agency AML guidelines, according to a recent survey by American Mortgage Insurance Co., Raleigh, N.C.

The AMIC survey of 400 S&Ls nationwide found that 88% of them do not offer AMLs with negative amortization provisions, thereby minimizing a potential cause of borrower default.

In addition, the survey found that many S&Ls place some type of cap on payment increases: 50% set a cap on the interest rate adjustment over the life of the mortgage; 40% set a maximum payment increase over the life of the loan; and 25% set a cap on the percentage payment rise each period.

Starts tumble. Housing starts plummeted in October to a 15-year low, at a seasonally adjusted annual rate of 857,000. That compares with 920,000 in September, the Commerce Department reported last month.

Single-family starts were even worse, falling to the lowest level ever computed by the Commerce Department. Single-family starts totaled 487,000 in October, compared with September's 646,000. Multifamily starts, however, picked up, increasing to 370,000 in October, from 274,000 in September.

The Commerce Department reported that building permits also tumbled, to a seasonally adjusted annual rate of 729,000 in October, from 850,000 in September.

Rates up. The average effective interest rate on new homes increased to 15.04% in October from September's 14.69%, while the average effective interest rate on existing homes also increased, to 15.47% from September's 15.38%, the FHLB Board reported last month.

The Board also reported that the average term-to-maturity for new homes was 27.4 years in October, up from 26.6 years the previous month; and for existing homes, was 25.7 years, up from 25.2 years in September.

The average purchase price of both new and existing homes rose slightly: for new homes, the average price was $89,200 in October, compared with $89,100 in September; and for existing homes, $71,900, compared with $69,400.

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savings bank statistics

Prepared by NAMSB's Research Department
Jack Rubinson, Director

DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS

(Amounts in millions of dollars, accounts in thousands)

Period	Amounts Deposited	With-drawals	Net change in deposits			Number of accounts	
			Excluding interest	Including interest		Total	Net Change
				Amt.	%		
Annually							
1979	122,026	128,987	—6,962	2,659	1.88	31,250	685
1980	162,537	167,400	—4,863	6,851	4.76	32,462	1,212
Monthly							
1980—Oct.	17,211	17,380	—169	403	.27	n.a.	n.a.
Nov.	10,983	11,210	—227	312	.21	n.a.	n.a.
Dec.	13,158	13,797	—639	1,255	.84	32,462	n.a.
1981—Jan.	13,734	14,713	—979	—365	—.24	n.a.	n.a.
Feb.	10,675	11,061	—385	296	.20	n.a.	n.a.
Mar.	13,354	14,111	—757	1,224	.81	n.a.	n.a.
Apr.	15,440	17,465	—2,025	—1,234	—.81	n.a.	n.a.
May	13,164	13,839	—676	148	.10	n.a.	n.a.
June r	12,916	14,303	—1,387	542	.36	32,015	n.a.
July r	15,058	16,993	—1,935	—1,133	—.74	n.a.	n.a.
Aug. r	14,334	15,876	—1,542	—672	—.44	n.a.	n.a.
Sept.	14,117	15,797	—1,679	319	.21	n.a.	n.a.
Oct. (Est.)	n.a.	n.a.	—100	700	.46	n.a.	n.a.

r—revised. n.a.—not available. Est.—estimated. Source: NAMSB.

Note: Annual and monthly data for net change in deposits including interest and net change in number of accounts have been adjusted, where necessary, to exclude the effects of conversions and consolidations of savings banks and other types of institutions. Components may not add to totals due to rounding.

Net Change in Savings Bank Deposits, Including Interest, by Type of Account

(amounts in millions of dollars)

	TOTAL	Market Linked			Fixed Rate		
		Total	6-mo. CDs	30-mo. CDs	Total	Ordinary Savings	Time
1980—Sept.	1,377	850	—45	895	526	468	59
Oct.	403	2,418	1,296	1,122	—2,014	—1,007	—1,008
Nov.	312	2,103	1,633	470	—1,791	—1,395	—396
Dec.	1,255	4,717	4,167	549	—3,461	—2,309	—1,153
1981—Jan.	—365	2,483	1,858	625	—2,847	—1,234	—1,613
Feb.	296	1,700	1,341	359	—1,405	—702	—703
Mar.	1,224	930	401	528	294	985	—691
Apr.	—1,234	397	—113	510	—1,631	—733	—898
May	148	1,941	1,841	101	—1,793	—1,147	—646
June r	542	789	456	332	—247	280	—527
July r	—1,133	1,085	873	212	—2,218	—950	—1,267
Aug. r	—672	2,371	992	1,379	—3,043	—1,600	—1,444
Sept.	319	1,372	—495	1,867	—1,052	251	—1,303
MEMORANDA:							
Outstanding Deposits							
Sept. 30, 1980	149,395	53,744	43,475	10,269	95,651	58,658	36,992
Sept. 30, 1981	151,072	76,049	57,705	18,344	75,024	49,254	25,769
Percent Distribution of Outstanding Deposits							
Sept. 30, 1980	100.0	36.0	29.1	6.9	64.1	39.3	24.8
Sept. 30, 1981	100.0	50.3	38.2	12.1	49.7	32.6	17.1

r—revised. Source: NAMSB.

SAVINGS BANKS attracted $4 billion into All Savers Certificates during October, according to a special NAMSB survey of the new, tax-free deposit instrument. The substantial amount of funds attracted into ASCs contributed to a significant improvement in industry deposit trends as outflows narrowed from $1.5 billion in September to only $100 million in October. Including interest credited to depositors' accounts, savings banks registered an estimated $650 million deposit gain in October.

The survey on ASC activity at savings banks revealed the following:

1. ASC purchases slowed markedly following the first week of October. After attracting $2.7 billion into the certificates during the October 1-9 period, purchases dropped to $1.3 billion in the remainder of the month;
2. About $900 million or 22% of the total amounts deposited in the All Savers Certificates represented "new money." Shifts from existing accounts accounted for the remaining $3.1 billion and 78% share. Six-month CDs, largely from maturing issues, provided 34% of total ASC funds, followed by passbook savings (23%), non-six-month CD time deposits (12%) and conversions of consumer repurchase agreements (9%).
3. Deposit costs of savings banks as a whole were not signficantly affected by the influx of ASCs in October.

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Annual
- **Assets and Liabilities (by states—August SBJ)**
- **Income and Expenses (by states, October SBJ).**

Transfers from high cost, six-month, money market certificates and consumer repurchase agreements were about offset by shifts from lower-yield passbook and time accounts.

The All Savers program should continue to bolster savings bank deposit flows in the months ahead. NAMSB estimates that the industry will have about $20-$25 billion in these certificates by late 1982. Savings bank deposit trends will also be strengthened by the expansion of the IRA/Keogh program and the expected reduction in market interest rates over the next several months. The extent of this improvement, however, remains uncertain in light of continued severe competition from money market funds, commercial banks and direct investments. (END)

DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS,[1] BY STATES

(Amounts in thousands of dollars)

State	September 1981					September 1980				
	Amounts Deposited[2]	With-drawals	Net Change in Deposits			Amounts Deposited[2]	With-drawals	Net Change in Deposits		
			Excluding Interest	Incl. Interest				Excluding Interest	Incl. Interest	
				Amt.	%				Amt.	%
Connecticut	1,358,298	1,521,488	—163,190	—41,390	—.30	1,313,489	1,338,334	—24,845	69,380	.52
Indiana	20,841	20,851	—10	998	.40	17,505	16,867	638	1,969	.84
Maine	251,637	278,173	—26,536	—7,097	—.28	289,428	297,290	—7,862	6,828	.28
Maryland	126,020	131,394	—5,374	10,053	.59	114,306	115,591	—1,285	14,645	.92
Massachusetts	2,350,744	2,583,205	—232,461	—63,019	—.31	2,294,797	2,353,477	—58,680	75,525	.36
New Hampshire	317,177	348,665	—31,488	—10,213	—.40	298,244	297,462	782	18,804	.77
New Jersey	694,711	776,859	—82,148	—322	*	1,010,274	1,085,848	—75,574	32,718	.39
New York—City	4,297,678	5,069,633	—771,955	209,174	.38	4,648,949	4,861,891	—212,942	715,669	1.31
—Upstate	2,376,979	2,551,043	—174,064	155,165	.66	2,054,684	2,152,194	—97,510	199,568	.87
Pennsylvania	1,419,796	1,472,230	—52,434	78,736	.61	1,373,669	1,305,045	68,624	178,582	1.44
Rhode Island	130,217	148,052	—17,835	4,476	.26	137,730	138,239	—509	15,913	.97
Vermont	125,268	127,657	—2,389	8,138	.98	89,295	92,272	—2,977	6,221	.76
Washington	411,405	488,381	—76,976	—445	—.01	427,429	452,086	—24,657	43,701	1.13
Wisconsin	5,652	6,383	—731	—253	—.30	23,292	23,692	—400	372	.47
All other states	230,818	272,634	—41,816	—24,754	—1.06	295,308	318,055	—22,747	—3,233	—.13
Total	14,117,241	15,796,648	—1,679,407	319,247	.21	14,388,399	14,848,343	—459,944	1,376,662	.93

Note: See notes to "Assets and Liabilities of All Mutual Savings Banks."

[1] Excludes special purpose accounts such as checking, Christmas, vacation and school. [2] Excludes interest credited.

*Less than .005%. Source: NAMSB.

ASSETS AND LIABILITIES OF ALL MUTUAL SAVINGS BANKS

(Amounts in millions of dollars)

Date	Mortgages	GNMAs	Investments				Other assets	Total assets-Total liabilities & gen. res. accts.	Deposits			Other liabil-ities	General reserve accounts
			U.S. Govt. & Federal agencies	State & local Govt.	Corpo-rate bonds	Corpo-rate stocks			Total*	Savings	Time		
1975 Dec. 31	77,221	3,367	7,507	1,545	17,536	4,322	9,558	121,056	109,873	69,653	39,639	2,755	8,428
1976 Dec. 31	81,630	5,808	9,109	2,417	20,335	4,381	11,131	134,812	122,877	74,535	47,426	2,884	9,052
1977 Dec. 31	88,195	8,331	9,233	2,828	21,498	4,751	12,450	147,287	134,017	78,005	54,739	3,292	9,978
1978 Dec. 31	95,157	10,021	8,297	3,333	21,566	4,807	14,991	158,174	142,701	71,816	69,354	4,565	10,907
1979 Dec. 31	98,908	11,820	7,658	2,930	20,507	4,760	16,821	163,405	146,006	61,123	82,947	5,873	11,525
1980 Oct. 31	99,523	13,741	8,622	2,754	21,631	4,348	19,813	170,432	151,998	57,651	92,146	7,117	11,317
Nov. 30	99,677	13,900	8,715	2,736	21,653	4,335	20,110	171,126	152,133	56,256	93,853	7,645	11,348
Dec. 31	99,865	13,849	8,949	2,390	21,209	4,224	21,078	171,564	153,501	53,971	97,445	6,694	11,368
1981 Jan. 31	99,816	13,951	9,000	2,378	21,211	4,094	21,440	171,891	153,143	52,737	98,314	7,426	11,322
Feb. 28	99,739	13,955	9,032	2,376	21,159	4,109	21,979	172,349	153,332	52,035	99,311	7,753	11,264
Mar. 31	99,719	13,997	9,203	2,359	21,150	4,089	22,717	173,232	154,805	53,049	99,581	7,265	11,163
Apr. 30	99,798	13,944	9,262	2,314	21,259	4,044	22,216	172,837	153,692	52,331	99,098	8,103	11,042
May 31	99,790	13,952	9,296	2,328	21,202	3,957	23,252	173,776	153,891	51,212	100,447	8,962	10,923
June 30 r	100,003	13,978	9,227	2,331	20,531	3,849	24,398	174,315	154,876	51,544	100,983	8,608	10,831
July 31 r	100,095	13,974	9,361	2,291	20,589	3,811	24,457	174,578	153,757	50,593	100,800	10,156	10,665
Aug. 31 r	99,987	13,965	9,369	2,326	20,446	3,770	24,899	174,761	153,120	49,003	101,750	11,124	10,516
Sept. 30	99,944	13,994	9,594	2,323	20,384	3,740	25,255	175,234	153,412	49,254	101,818	11,459	10,364
Oct. 31 (Est.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	153,962	n.a.	n.a.	n.a.	n.a.
% of Total Assets													
Sept. 30, 1981	57.0	8.0	5.5	1.3	11.6	2.1	14.4	100.0	87.5	28.1	58.1	6.5	5.9
Change during month	—43	30	225	—3	—62	—30	356	473	291	251	68	334	—152

Note: Balance sheet data beginning with April 30, 1979 are not strictly comparable with prior months. This largely reflects: (1) changes in FDIC reporting procedures; and (2) reclassification of certain items.

r—revised. n.a.—not available. Est.—estimated. Source: NAMSB.

* — Total deposit figures include checking, school, club and certain other accounts not shown separately.

Note: GNMA figures refer to all types of mortgage-backed securities guaranteed by the Government National Mortgage Association.

Savings B

January 1982

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OUTLOOK
For Economy, Savings Banking

'Full-Court Press' to Restrain DIDC Succeeds —Deregulatory Proposals Deferred

Also: In Pursuit of New IRA Customers ■ Annual Operations Meet, Exhibit to Emphasize 'Bottom-Line' Issues ■ FDIC Assists in More New York Bank Mergers ■ Savings Bank to Use Trust Powers—First In State ■ Financial Restructuring Bill Set for Senate Mark-Up

Savings Bank Journal

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Vol. 62 No. 11

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1982 OUTLOOK

FOR THE ECONOMY AND SAVINGS BANKING

DESPITE THE recent dramatic interest rate decline, the 1982 outlook for savings banking remains unfavorable. To be sure, deposit and earnings trends should improve, following this year's massive losses. But a more fundamental turnaround in our industry's condition would require interest rates to stay down longer than seems likely in 1982.

The chief hope is that our industry's fortunes have finally bottomed out—that we will leave 1982 in better shape, and with better future prospects, than we enter it. Given all the uncertainties, this must remain a hope, rather than a prophecy. Realization of this hope will require a basic improvement in financial-market conditions and expectations. Such an improvement, in turn, will depend partly on the course of the economy and inflation. It will depend as well on federal economic policy initiatives, including actions which are now only in the debating stage.

Fiscal, Monetary Policies

In this regard, savings banking is caught in the middle of the head-on conflict in federal economic policy. On one side, the federal budget is seemingly locked into enormous deficits for years to come. On the other side, the Federal Reserve is resolved to holding down long-term monetary expansion. The resulting combination of stimulative fiscal policy and restrictive monetary policy continues a long-standing problem and is bound to cause grief periodically in the thrift industry, housing, small business and other interest-sensitive sectors of the economy.

This imbalanced federal-policy mix has brought on the current recession as the effects of high interest rates have spread throughout the economy. Eventually, sustained monetary restraint will also wind inflation down to more manageable proportions. Eventually, a more favorable financial climate for savings banking will prevail. "Eventually" can represent a dreadfully long time, however, and further fiscal actions will be necessary to speed up the process and to distribute the burdens of anti-inflationary policy more evenly along the way. Additional spending reductions as well as tax actions will be needed.

The Reagan Administration has already done more to trim the budget than most observers thought possible. But the benefits may be nullified, because of the adoption of a long-range program of built-in tax reductions. The explosive interest rate implications of imbalanced fiscal-monetary policies are currently obscured by the sharper-than-expected business recession and the resulting mercurial shift in the attitudes of investors. Once the economy recovers, they could reappear to haunt the Administration and savings banking, unless further fiscal measures are undertaken.

Presented during NAMSB's Midyear Meeting last month (see page 37) by First Vice President and Chief Economist George Hanc, this "Outlook" was developed by the Association's research staff.

Key Market Factors

We hope and expect that the Administration and the Congress will move forcefully on the budget once again and thereby help to hasten the transition to a more stable financial market environment. Action may well be delayed, however, because the economy is in recession and 1982 is a congressional election year. A prudent assumption, therefore, is that the financial-market environment will continue unfavorable for savings banking during most of 1982. We expect that next year:

- the economy will stay essentially flat;
- inflation will continue to abate gradually;
- housing will be weak;
- interest rates will moderate, but still average high;
- savings banks will show significant improvement in deposit flows, but except for All Savers Certificates, they will attract mainly high-cost money; and
- the bottom line will remain in the red, although losses should diminish.

In addition to the impact of overall financial market developments, regulatory actions will, of course, heavily influence the course of savings banking. While the actions of the Deregulation Committee sometimes defy understanding, let alone prediction, it must be assumed that further steps will be taken to deregulate deposit interest rates. Whatever may be the effects on deposit growth, the impact on earnings will clearly be negative.

The Economy in Recession

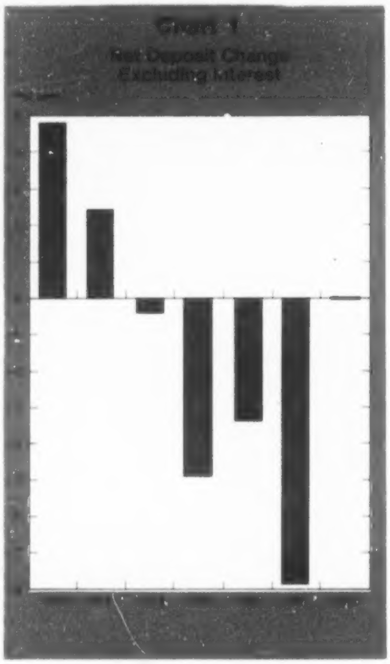
Bombarded by high interest rates, the economy has finally succumbed and slid once again into a recession. We expect that the decline will continue into the early part of 1982. A pickup should occur later in the year, in response to reduced interest rates, the military buildup and the 10% personal tax cut scheduled for July 1, 1982.

Balancing the negative and positive quarters, we project that real GNP will show essentially zero growth for 1982 as a whole compared with 1981, following a 2% rise this year. It will be a disappointing performance compared with the 3½% real GNP gain for 1982 which the Administration predicted only a few months ago. It will be more in line, however, with the recent forecasts of Administration spokesmen.

Leaving aside short-run ups and downs, what we have is an economy creeping along sideways. Among the reasons for expecting a basically flat economy are the following:

- Consumer spending will be restrained by heavy debt burdens, the need to restore depleted savings, fears of unemployment, out-of-sight home and auto prices and the slow growth of real incomes, even after the scheduled tax cuts;
- housing will recover only slowly from the devastation caused by high interest rates, reduced mortgage availability, the growing affordability problem and home-builder failures;
- business spending will be limited (except in defense, energy and certain other sectors) by imbalanced inventories, excess capacity, slow sales, weak profits, high long-term financing costs, and continuing uncertainties regarding inflation, interest rates and government policy; and
- overall government spending will be held down by cutbacks in federal civilian expenditures and the inability of state and local governments to fill the gap.

A sluggish economy is, of course, the inevitable result of applying anti-inflationary medicine to an inflationary economy. It involves serious human costs, particularly in terms of increased unemployment. Unfortunately, there seems to be no option. Inflation itself places limitations on the growth of the economy and employment. Inflation reduces savings incentives, diverts investment from long-term productive uses and prices some industries and workers out of the market. Furthermore, financial markets are so sensitized that any faltering in the anti-inflation campaign is likely to send interest rates up and thereby depress economic activity. Since the economy has been forced into this "Catch-22" position, there is no way to get out except by continuing the battle until inflation is wrung out.



A more attractive alternative has been advanced by the "supply-side" school of economics. According to this view, we can lick inflation by flooding the market with goods, through the stimulative effects of tax reduction and deregulation on investment and production. Our projections imply, however, that "supply-side" economics will not work as advertised, at least not in 1982.

Inflation: Abating Slowly

With respect to inflation, the recent experience has been favorable for a change. Consumer and producer price changes have been below double-digit levels in most recent months. This good news partly reflects the world-wide oil glut, softer food prices, auto rebates and reduced housing prices. But the relaxation in the inflation rate is evident in other areas as well.

Next year, we expect a further moderate slowdown in the inflation rate. On a comprehensive GNP deflator basis, we project an increase of about 8% in 1982, compared with 9% this year. In terms of the Consumer Price Index, we anticipate an 8% rise next year, following the 10% increase in 1981.

Part of the improvement will reflect the projected slowdown in economic activity. Increases in wage costs may also slacken in the face of rising unemployment. Furthermore, productivity gains should pick up when the economy recovers, as has generally been true in previous post-recession periods.

Future reductions in inflation, however, may be hard to come by. The underlying inflation rate is giving ground grudgingly. Saving and productivity gains are still low. Any spurt in business investment is likely to stimulate short-run inflationary pressures. And the economy remains vulnerable to external inflationary shocks. Suffice it to say that the recent inflation news, while welcome, does not mean that the problem is ended.

Housing: Slowly Rising From the Floor

The shell-shocked housing industry will respond slowly to the recent interest rate reduction. We expect that total housing starts will amount to about 1.3 million units in 1982, only slightly higher than this year's volume of 1.1 million units. Sales of existing homes are likely to rise somewhat more rapidly.

This will be far below our nation's needs, especially in view of projected population growth in the home-buying age groups in the 1980s. Despite

Notes on Outlook Charts

On net deposit change . . . Annual percentage changes, excluding interest credited, in savings and time deposits at mutual savings banks, 1982 is projected.

On net income and surplus ratios. . . . Data refer to: (1) net income of mutual savings banks after expenses, taxes, interest and net realized losses or gains on

favorable demographics and heavy pent-up demands, generally high home prices and borrowing costs will keep housing activity low. The best that can be hoped for is a gradual pickup during the course of the year, as mortgage credit loosens up a bit.

The housing industry is, of course, the perennial victim of inflation and rising interest rates. But the problems of housing are more than cyclical in nature. The housing industry is part way through a lengthy and painful transition relating to housing affordability, shifts in national priorities, thrift institutions deregulation, and the revolution in mortgage finance.

With respect to the first point—the affordability of housing is a familiar and so far intractable problem, especially for first-time home buyers. Various remedies have been suggested, including production of stripped-down, lower-cost housing and greater use of graduated payment mortgage contracts. But progress has been slow on both fronts. Unless some form of housing tax break is adopted, many households may be forced to defer home purchases until later in the life-cycle, settle for less housing when they are able to buy and stretch their budgets further to absorb increased housing costs.

The affordability problem is related to the second point—the shift in national priorities toward nonhousing investment to increase productivity and to combat inflation. In this climate, there is little prospect that large-scale housing subsidies will be reintroduced. Furthermore, mortgage guarantee programs may be cut back. As a result, housing will have to compete head-on for funds with the government and corporate sectors which have inherently stronger borrowing power. Unless the overall supply of saving is increased, housing will be periodically crowded out by increased financing costs.

assets as a percent of average of beginning, mid- and end-of-year assets; and (2) surplus accounts, including capital notes and debentures, as percent of year-end deposits outstanding; 1982 data are projected.

On interest rates . . . Data refer to: (1) monthly averages of weekly discount rates on six-month Treasury bill auctions through November 1981; and (2) yields on new Aa corporate bonds.

With respect to the third point—deregulation—thrift institutions must and will obtain broadened investment flexibility to catch up with rapid deposit deregulation. This does not mean that there will be a reduction in the dollar volume of their mortgage lending. On the contrary, increased asset and earnings flexibility will enable thrift institutions to compete more effectively for savings. Deregulation does mean, however, that housing can no longer depend on having thrift institutions as captive lenders and must broaden its sources of funds.

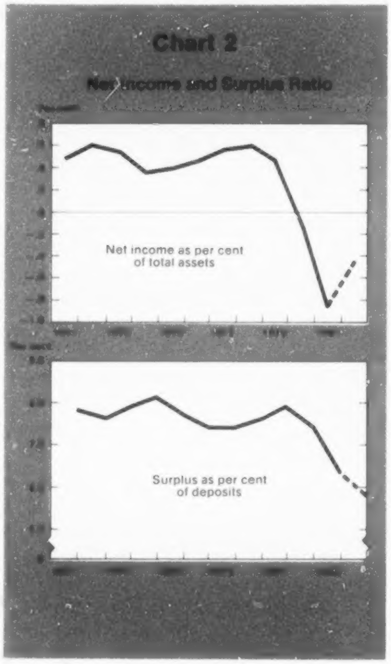


Chart 2

Net Income and Surplus Ratio

And this leads to the fourth point—the truly revolutionary changes in mortgage contracts, sources of funds and secondary market arrangements. While the changes have been dramatic, certain nagging questions remain:

- Who will hold long-term mortgage contracts in large volume, given the painful experience of thrift institutions?
- If short-term or variable-rate mortgage contracts dominate, will the shift of interest rate risk from financial institutions to borrowers lead to significantly increased foreclosure risk?
- How much help can be provided by new mortgage market mechanisms if the basic problem is the relatively weak borrowing power of households in the capital markets?
- And more broadly, how long can housing needs go unsatisfied before political pressures force new government initiatives?

Clearly, the last word on these issues has not been spoken.

Eventually, the housing industry will accomplish the necessary transition to more affordable housing and a new, strengthened system of mortgage finance. As already noted, however, "eventually" can be a very long time. Meanwhile, housing will experience another bad year in 1982.

Interest Rates: Still High, Volatile

What can be said about the outlook for interest rates? Based on past experience, very little can be said with confidence. Still, some working assumptions are necessary or the planning process will be set completely adrift. The following observations are offered in that spirit (Chart 3).

First, interest rates during most of 1982 will be generally high—high for a recession and high enough to cause trouble for savings banks. Federal deficit financing will be huge and will be swelled by agency borrowing. Even in a weak economy, there will be sizable private credit demands in the growth sectors and in less-interest-sensitive industries, which can pass on increased interest costs to their customers and to Uncle Sam. Pent-up demands from borrowers now on the sidelines will be an additional factor. At the same time, the Fed will continue to seek gradual reduction in monetary expansion, and will avoid pushing rates down very far during the recession. While further interest rate reductions are anticipated in early 1982, rates will be high by most reasonable standards for the year as a whole.

Second, interest rates will still be wildly volatile. This is almost guaranteed by Federal Reserve policies which place primary emphasis on controlling the growth of the money supply rather than the movement of interest rates. Interest rate volatility is intensified by rapid shifts in financial market expectations. Deregulation of interest rates is also a contributing factor. Market linkage of deposit and loan contracts and elimination of usury ceilings has helped to avert credit crunches in specific markets. As a result, credit is rationed more by rates than by changes in availability. Modest changes in credit demands, therefore, can lead to swift and sharp changes in interest rate levels. Potentially, interest rates can go up just as rapidly as they have recently come down.

Against this background, we expect that interest rates will continue to decline irregularly into early 1982, with numerous interruptions along the way. The driving force will be the economic recession. In addition, further temporary easing actions by the Federal Reserve can be expected. The decline, however, is likely to be short-lived. Interest rates will rise again later in the year, along with the pickup in economic activity. And as the economy and private credit demands strengthen, the Fed once more may have to tighten up in order to meet its money supply targets.

Rate Patterns

On the downside of this roller-coaster pattern, short-term interest rates are unlikely to drop, for very long, below 10%. On the upside, they should peak somewhat below previous highs largely because of weakness in the economy, the anticipated slackening in inflation, and perhaps an increased saving rate resulting from specific tax incentives and reduced marginal tax rates. On balance, we project that six-month Treasury bill rates will average out to about 12% in 1982 as a whole, 2% or so below the 1981 level.

Long-term interest rates will move in the same general direction, but the range of variation will be narrower. Investors have been severely burned in recent years. They will be slow to return in force until there is more convincing evidence that the inflation corner has been turned, and they will be quick to depart again at any sign that the bond market rally is ending. Long-term rate reductions will also be limited by the overhang of deferred demand from mortgage borrowers and from corporations seeking to fund heavy short-term debt positions.

On balance, we project that long-term rates will average only about 1% below 1981 levels. Mortgage interest rates, for example, are unlikely to drop much below 15% at anytime during 1982.

As always, there is a long list of factors that can make any interest rate forecast go awry. There is always the danger of Middle Eastern oil crises. The economic recession could develop into something far more serious. Imposition of "quick fix" economic policy measures cannot be entirely discounted, if interest rates should return to stratospheric levels as the congressional election approaches.

Finally, there is the possibility—much more pleasant to contemplate—that reduced inflation and forceful fiscal action by the Administration and the Congress will result in an improved climate of financial market expectations. In the current environment, psychology is an important factor influencing interest rate movements. In 1981, investor fears regarding the impact of the ballooning federal deficit helped send "real" interest rates to unprecedented levels, after taking inflation into account. By the same token, significant progress on the inflation and fiscal fronts could alleviate inflationary expectations and keep interest rates lower than we have projected.

As noted earlier, this remains a hope rather than a prophecy. In weighing all the imponderables, it may be well to recall that past errors in interest rate forecasting usually have been on the side of optimism. Accordingly, a climate of generally high and volatile interest rate levels still seems to be the appropriate assumption for planning purposes.

Deposit Prospects: Improved Flows at High Cost

In the economic and regulatory climate anticipated in 1982, deposit flows of savings banks should improve significantly. In 1981, as all of you are painfully aware, savings banks suffered record-breaking disintermediation, which was alleviated only by the introduction of All Savers Certificates on October 1. In the first nine months of the year, the outflow totaled $11.4 billion, excluding interest. This was greater than the losses in any full calendar year in earlier history, including the previous record outflow of $7 billion in 1979.

The ASC program has clearly strengthened deposit flows, even though the bulk of funds channeled into these certificates has come from internal transfers. After its introduction, total deposit outflows dropped sharply, from $1.7 billion in September to $100 million in October. In that month alone, savings banks attracted $4 billion into ASCs. About 22% represented new money from outside the institution, while 78% reflected shifts from existing accounts. Of the latter, 35% come from six-month money market certificates, 22% from passbook savings, 12% from other types of deposits and 10% from consumer repurchase agreements.

The impact of All Savers on costs and earnings has been less clear-cut so far. Deposit interest costs have been largely unchanged, as reductions due to transfers from six-month CDs were offset by increases due to shifts from passbook savings and low-cost time accounts. Even including the reinvestment of new money at current market rates, there was essentially a wash in terms of bottom-line income.

While any overall assessment would be premature at this time, it seems clear that the All Savers program will continue to bolster total deposit growth in 1982, particularly as interest rate increases resume. Some new money will continue to be attracted, even though the bulk is likely to come from conversions of existing accounts. By late 1982, savings bank holdings of these certificates should reach a peak of about $20 billion.

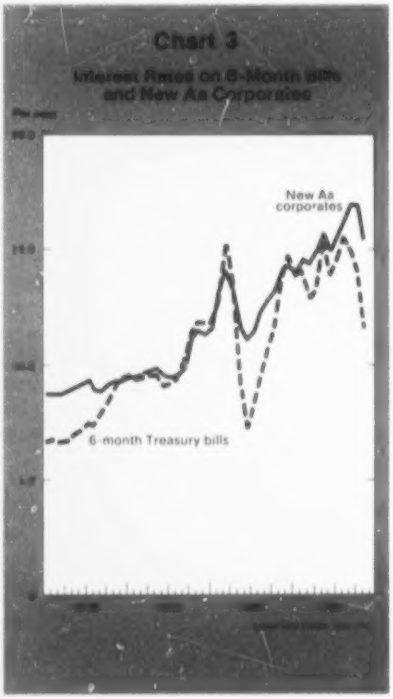


Chart 3

Interest Rates on 6-Month Bills and New Aa Corporates

Deposit growth will also be strengthened by the expansion of the IRA/Keogh program. Here we are in truly uncharted territory. Up to now, the IRA program has been a modest affair. During 1980, total contributions at all depositories amounted to only $3 billion and only a minute fraction of the eligible individuals participated in the program.

The expansion in eligibility rules effective January 1, however, will increase the potential market by at least another 40 million individuals, including many who are oriented to tax-sheltered investments and to saving for retirement needs. At the same time, ceilings on deductible amounts will be expanded. Continued pressure on the Social Security System will highlight the importance of building up retirement savings. Currently, IRA/Keogh balances at savings banks total only $4.5 billion, or 3% of deposits. In the years ahead, these balances are likely to increase several-fold, although savings banks will face fierce competition for IRA/Keogh funds from many sources.

Other Deposit Trends

Savings bank deposit trends will be strengthened by the projected reduction in market interest rates in early 1982. Fixed-rate accounts are likely to be withdrawn less rapidly than in a higher interest rate climate. The elimination of the 12% "cap" on 30-month Small Saver Certificates should continue to stimulate expansion of these accounts, particularly with an upward sloping yield curve early in the year. The four-week moving average option for computing MMC rates will be modestly helpful in competing with money market funds in periods of declining interest rates. Deposit flows will also benefit if the overall personal saving rate increases.

On the other side of the coin, the improvement in savings bank deposit trends will be limited by continued severe competition from money market funds, commercial banks and direct investments. Money market funds have now surpassed the savings bank industry in terms of total assets. They will show further growth despite the expansion of deposit instruments and increases in rates at depository institutions. Overall savings bank deposit flows will also be limited by our industry's heavy concentration in major metropolitan areas where deposit markets are particularly interest-sensitive and where the problems besetting thrift institutions have received the greatest publicity.

All things considered, we expect that disintermediation will largely subside in 1982. There will be inflows and outflows at individual institutions, and from month to month for the total industry, reflecting the diversity within savings banking and the volatility of interest rate movements. On balance, we project essentially zero net new money, excluding interest, for the industry as a whole in 1982. This will compare with the massive 1981 outflow of $12 billion, or nearly 8% of deposits outstanding. Including interest, total deposit growth should amount to some $15 billion, compared with $3 billion in 1981. In the nondeposit area, consumer repos should increase moderately, as more institutions begin to offer these instruments (Chart 1).

Normally, any significant improvement in deposit trends would be reason for rejoicing. Except for ASCs, however, strengthened deposit growth in 1982 will be purchased at high cost. No-ceiling IRA/Keogh accounts, moving-average MMCs, proposed new short-term deposit instruments, possible intermediate-term "wild cards," and uncapped 30-month accounts will bring in some new money, even though the main impact is likely to be shifts within the deposit structure. But new funds will be attracted at market rates, or even higher in some cases, if rate wars develop among depository institutions. Along with the continued shrinkage of passbook savings and fixed-rate time deposits, this will take the industry a further major step toward a deregulated liability structure paying market rates. Currently, one-half of total savings bank deposits are held in market-linked accounts and the proportion will continue to rise.

Investment Policy: Staying Short

Given the projected 1982 environment of improved deposit trends, savings bank investment policy will have somewhat more room to maneuver. Additional flexibility is provided by the current bond market rally. Institutions with sufficient capital can sell longer-term investments at reduced losses—or even at profits in some cases—in order to supplement cash flows, to reinvest at increased current returns and to restructure portfolios.

In 1981, savings banks had no choice but to husband their liquidity to prepare for successive waves of disintermediation. During the first nine months of the year, savings banks channeled an amount equivalent to their entire increase in assets into investments maturing within one year. Indeed, federal funds alone accounted for one-half of the industry's net asset gain. Net flows into mortgage loans, GNMAs and other longer-term assets essentially dried up. In the past two years, savings banks have shifted markedly toward short-term assets. This has come in response to unprecedented liquidity pressures, the attractiveness of short-term yields and long-run management efforts to achieve a shorter-term asset structure.

Continued attention to liquidity will make good sense in 1982, even though this will be more costly as a result of reduced yields on short-term assets. Disintermediation pressures are always a possibility in a volatile interest rate climate. Introduction of new "wild card" accounts, or other deregulation actions, may lead to fierce rate competition and a churning of funds among individual institutions.

The scheduled expiration of the All Savers program will also increase liquidity needs. No firm prediction is possible as to whether the Congress will extend the All Savers program or replace it with another tax incentive. It has to be assumed that some portion of maturing ASCs will be withdrawn from the bank, beginning in late 1982. This may be particularly true of ASCs brokered by money market funds which retain a close relationship with the depositor. Many banks, of course, have matched ASC maturities with short-term investments within the limits of the residential financing requirement.

Thus, maintenance of ample liquid asset holdings and reduction of existing borrowings will necessarily be a high-priority consideration for management. Staying short will involve some earnings give-up while interest rates are declining, and will be painful for institutions with particularly low earnings and net worth positions. Some modest adjustments along the yield curve may be in order. A return to long-term, fixed-rate investments, however, remains a high-risk policy.

While preparing for future liquidity needs, some institutions may also be able to set aside funds for new investment channels, including short-term business and adjustable-rate mortgage loans. This would be a welcome step toward the reshaping of savings bank asset portfolios in line with a volatile financial market environment.

Earnings: More Red Ink

On the earnings front, we anticipate that the industry as a whole will experience another bottom-line loss in 1982, the third in a row. This will continue to reflect the deadweight effect of low-yield, long-term asset portfolios. It will also reflect continued shifts of funds within the deposit structure toward higher-rate accounts, as well as the effects of further deposit deregulation. Reduced earnings on heavy short-term asset holdings will be another factor, at least in the near-term (Chart 2).

According to our projections, the

bottom-line loss will be about 40 to 50 basis points on assets in 1982, compared with 85 basis points in 1981. This improvement will result from a number of factors:

(1) the rollover of six-month money market CDs at reduced rates in the early part of next year;

(2) the impact of the All Savers program assuming that conversions from MMCs will be the dominant source of funds;

(3) reductions in high-cost borrowings; and

(4) increased cash flows for reinvestment as a result of stronger deposit trends and some pickup in mortgage portfolio turnover as real estate market activity increases.

Quite apart from these financial factors, however, regulatory actions by the DIDC can have a profound and damaging effect on earnings trends.

As always, there will be wide variations in earnings positions among different market areas and individual institutions. The most severe losses will be in areas characterized by particularly slow asset turnover, intense competition for deposits and/or low usury ceilings in the past. Few institutions, however, will be immune from the earnings squeeze. This was already evident in 1981. As interest costs mounted, the flow of red ink widened to an increasing number of institutions. In the third quarter of 1981, 60% of all savings banks, and close to 90% of large institutions with assets in excess of $500 million, were operating in the red.

The problem is hardly unique to savings banks. Similar pressures have been experienced by other types of institutions. Savings banks, at least, started out with stronger capital positions to absorb the unprecedented losses of recent years. Next year's loss, together with some improvement in deposit growth, will produce a further reduction in surplus ratios. Even so, capital positions will still be ample for the vast bulk of savings banks. At a few institutions, however, net worth margins will become very thin and this will lead to some further mergers.

Living with Deregulation

In appraising savings bank prospects, the impact of deregulation is obviously a prime consideration. In the 1980 Deregulation Act, the Congress mandated the phaseout of Reg. Q ceilings over six years. The actual process began even earlier when market-linked six-month CDs were introduced in June 1978. What have we learned about deregulation since then?

One thing we have learned is that deregulation, as currently practiced by the DIDC, is a frequently chaotic and imbalanced process. The logic of some decisions is hard to fathom. Some DIDC members seem to weigh lightly the statutory requirement that they give "due regard to the safety and soundness of depository institutions." And deposit deregulation has proceeded rapidly, while deregulation of asset powers has hardly started.

Clearly, we must press on with efforts to bring order and balance into the deregulation process. This means restraining the DIDC so that deposit deregulation is conducted in a manner that does not imperil thrift institutions. It also means continued strong efforts to broaden savings bank asset powers. Obviously, savings banks need maximum flexibility on the asset side of the ledger, in line with the deregulation which is proceeding rapidly on the deposit side.

At the same time, it should be recognized that deregulation cannot be halted or reversed. While the process was set in motion by government action, it is being propelled by economic forces operating in the market place. Even if the DIDC took an extended vacation, *de facto* deregulation would continue. Funds would continue to be shifted to market-rate accounts in savings banks or would seek market rates elsewhere.

Management's Objectives

Living with deregulation, then, is unavoidable. To do so successfully will require difficult management decisions on both sides of the balance sheet. The overall objectives are obvious—to increase the institution's overall earning power and to reduce its exposure to the risks inherent in a volatile interest rate environment.

On the asset side, the main effort has been to shorten maturities, increase the interest-sensitivity of portfolios and strengthen long-run earning power. The principal options for accomplishing this are familiar to all:

- business, construction and consumer loans;
- variable-rate mortgages; and
- short-term securities.

Along with increased mortgage servicing and other off-balance sheet earn-

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ings, and prudent use of the futures market, such an asset structure will make earnings more sensitive to cyclical changes in interest rates, reduce interest rate risk, and increase earnings over the entire cycle.

The chief problem here lies not in knowing what to do, but in getting it done. Protracted disintermediation and cost pressures have severely limited the ability of savings banks to implement new asset powers. This is particularly true of business lending, which has only recently been authorized for most savings banks. Still, a start must be made and some funds need to be utilized to take advantage of new investment powers and market opportunities. Otherwise, the process of restructuring asset portfolios may be unduly delayed.

There are key management issues on the liabilities side as well. Competitive rate strategies need to be reexamined. The central question is a familiar one: to pay, or not to pay, the maximum rate allowed by law or offered by competitors.

Setting Strategies

There is no simple answer universally applicable to all times, market areas and types of deposit instruments. In virulently competitive markets, management has less scope for independent action. In some situations, paying the maximum may be unprofitable, but less unprofitable than the alternative. Otherwise, deposit outflows may force the institution to borrow at even higher rates from other sources. In other situations, accepting deposit shrinkage may be the best policy from the standpoint of earnings and capital positions.

As the range of deposit and nondeposit liability instruments widens, there may be more scope for management discretion. Even now, we see greater diversity in rate policies than was formerly the case. Currently, about one-third of all savings banks are offering less than the maximum rate on 30-month CDs. Even wider differences are evident in the market for short-term consumer repos. About one-half of all savings banks do not offer consumer repos at all. And rates offered by the remaining half vary over a wide range.

More flexible rate strategies will be increasingly needed as the deregulation process continues. Each institution will have to determine when it makes sense to match the competition and when it makes sense to pay less. Rates offered on different types of accounts will have to be geared more closely to returns available on the investment of the proceeds. In any event, it seems clear that in a deregulated environment, a policy of always matching the highest rate offered by the competition will be untenable.

Conclusion

Thus, deregulation presents new problems to an industry which already has problems aplenty. We are living through savings banking's darkest hour since the 1930s. There is hope that the climate may improve, if wise government policies are followed.

But our future rests on something firmer than mere hope. It rests on the determination of all concerned to toughen our institutions so they can grapple better with a volatile and deregulated environment. As to the existence of that determination, I have no doubt. And that is why I am optimistic about the industry's future despite all the current difficulties. (END)

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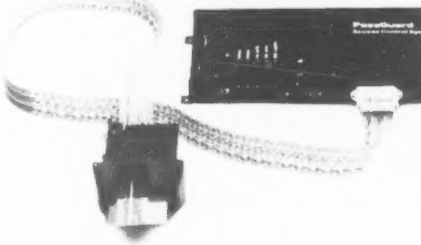

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Senate to Take Up Broad Powers Bill

Congress recessed in mid-December without passing either emergency powers for regulators to deal with problem thrifts or a broad financial-system restructuring bill. But it recessed with the expectation—as expressed by Sen. Jake Garn (R., Utah), that the Senate at least would take up comprehensive banking legislation during the second session of the 97th Congress which begins January 25.

Any chance for emergency or restructuring legislation before the new year ended on December 9 when Garn, chairman of the Banking Committee, held a press conference and announced his committee would not consider the House-passed "regulators' bill" which would give federal regulators emergency powers to merge troubled thrifts across state lines and ease limitations on capital infusions. Instead, Garn said he hoped the committee would begin work on the pending broad powers bill next month. Explaining his position, Garn said that "current conditions do not make it necessary to pass an emergency stopgap measure apart from the more long-term structural changes."

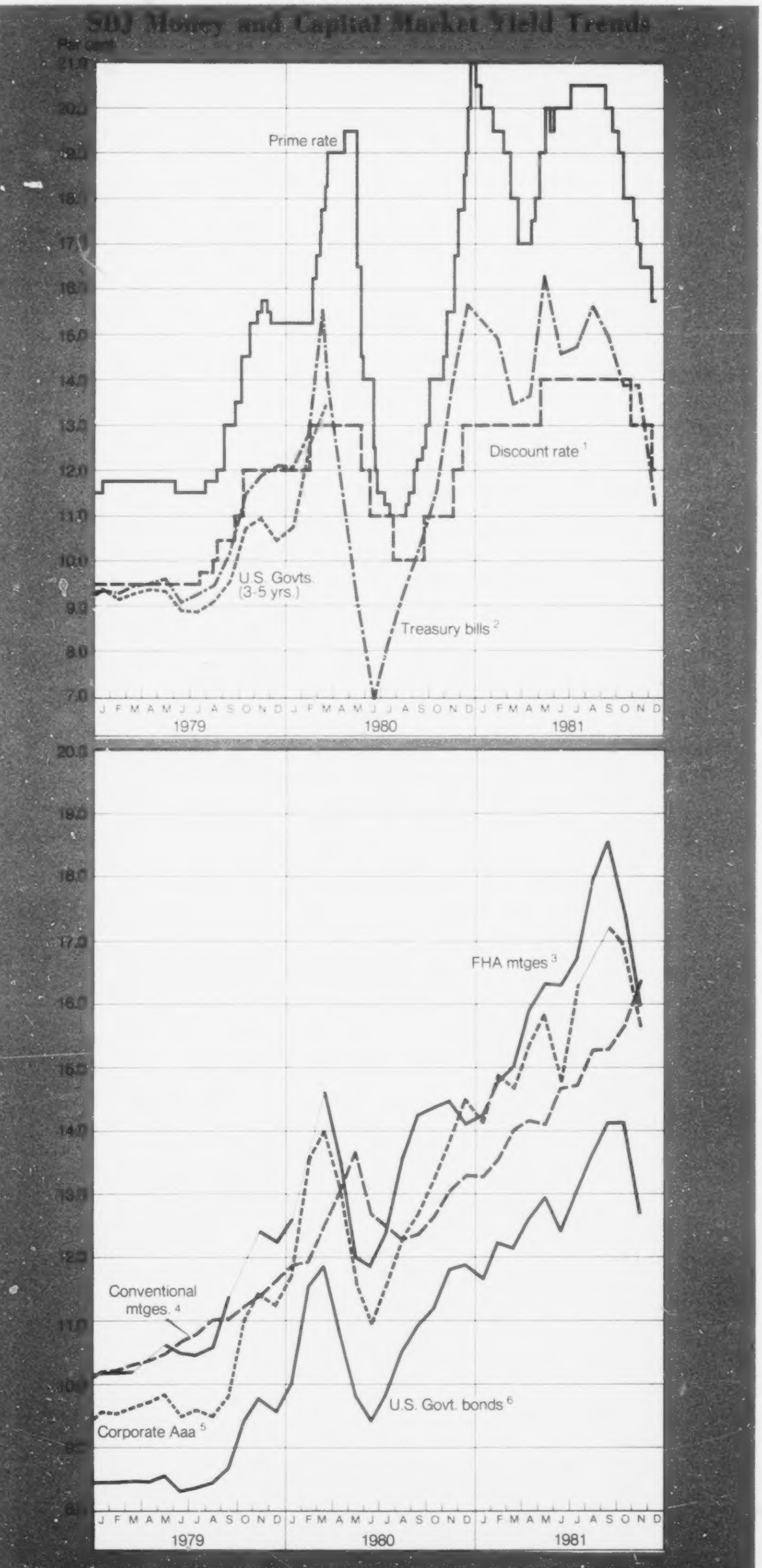
Moreover, the committee chairman noted during the press conference that commercial banks and thrift groups are "beginning to resolve their differences" on the proposed broader powers legislation, which includes full commercial loan powers for federal thrifts. Garn previously declared point-blank, "No consensus, no bill."

Both the U.S. League of Savings Associations and the American Bankers Association last month submitted to Garn their views on broader powers, and were expected to formally meet this month.

In other developments concerning financial restructuring legislation, in November, Sen. Alfonse D'Amato (R., N.Y.) introduced a bill addressing indemnification from FDIC to FSLIC of losses after a state-chartered savings bank converts to federal charter. It is similar to that included in the House regulators' bill.

Also, on December 10, the House Banking Committee began hearings on financial restructuring; two economists testified at that hearing. More hearings on this issue are slated for this year.

SBJ Money and Capital Market Yield Trends



[1] Federal Reserve Bank of New York. [2] Three months, new issue rate. [3] Average secondary market yields, new construction, sec. 203, 30-year maturity, 15-year prepayment and minimum down-payment. [4] Effective rate for purchase of new single-family homes. [5] New issues. [6] Maturing or callable in 10 years or more.

Mortgaging trends

Rates move higher. The average effective interest rate on new homes rose to 16.36% in November from October's revised 15.65%, while the rate on existing homes also increased, to 16.34% from October's revised 15.89%, the FHLB Board reported last month.

The Bank Board also reported that for new homes in November, the average term-to-maturity dropped to 23 years from 27.4 years in October, and the average purchase price fell to $83,400 from October's $89,200.

In November, for existing homes, the average term-to-maturity decreased to 24.5 years from October's revised 25.9 years and the average purchase price dipped to $76,700 from October's revised $77,900.

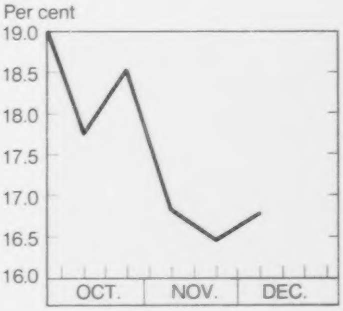
Starts up. U.S. housing starts rose to a seasonally adjusted annual rate of 871,000 in November, up from October's 864,000. It was the first increase since July 1981, and consisted of a 52,000 rise in single-family starts; multi-family starts fell 45,000.

However, building permits issued in November declined to a 718,000 annual rate, down from October's 722,000.

Consolidates mortgage servicing. New York City's Greater New York Savings Bank recently consolidated a large portion of its outside mortgage servicing.

The savings bank sold the servicing on $197 million of out-of-state mortgages to J. I. Kislak Mortgage Corporation of Miami. The mortgages, written for loans on 27,000 single-family homes, previously were serviced by 38 organizations.

FNMA Commitment Yields



Note: Data are average yields on mortgage commitment bids accepted by the Federal National Mortgage Association at its biweekly auctions. Data are for 120-day bids. Yields are gross of [illegible] servicing fee. Figures assume 30-year mortgages with an assumed prepayment period of 12 years.

According to Charles J. Ohlig, Greater New York's executive vice president, the consolidation produces upfront cash and will produce cost savings over time. Moreover, Ohlig noted, "internally, it's easier for us to do business with one company."

Greater New York is not the only thrift that has discovered benefits of servicing consolidation, according to Jonathan I. Kislak, Kislak Corporation's executive vice president. Kislak explained that by consolidating their servicing, thrifts should be able "to save a significant amount of time, money and personnel" because of the sharp reduction in paperwork and administrative time resulting from the consolidation.

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Prepared by NAMSB's Research Department
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DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS

(Amounts in millions of dollars, accounts in thousands)

Period	Amounts Deposited	With-drawals	Net change in deposits: Excluding interest	Net change in deposits: Including interest: Amt.	Net change in deposits: Including interest: %	Number of accounts: Total	Number of accounts: Net Change
Annually							
1979	122,026	128,987	—6,962	2,659	1.88	31,250	685
1980	162,537	167,400	—4,863	6,851	4.76	32,462	1,212
Monthly							
1980—Nov.	10,983	11,210	—227	312	.21	n.a.	n.a.
Dec.	13,158	13,797	—639	1,255	.84	32,462	n.a.
1981—Jan.	13.734	14,713	—979	—365	—.24	n.a.	n.a.
Feb.	10,675	11,061	—385	296	.20	n.a.	n.a.
Mar.	13,354	14,111	—757	1,224	.81	n.a.	n.a.
Apr.	15,440	17,465	—2,025	—1,234	—.81	n.a.	n.a.
May	13,164	13,839	—676	148	.10	n.a.	n.a.
June	12,916	14,303	—1,387	542	.36	32,015	n.a.
July	15,058	16,993	—1,935	—1,133	—.74	n.a.	n.a.
Aug.	14,334	15,876	—1,542	—672	—.44	n.a.	n.a.
Sept.	14,117	15,797	—1,679	319	.21	n.a.	n.a.
Oct.	19,202	19,268	—65	789	.05	n.a.	n.a.
Nov. (Est.)	n.a.	n.a.	—1,000	—200	—.13	n.a.	n.a.

n.a.—not available. Est.—estimated. Source: NAMSB.

Note: Annual and monthly data for net change in deposits including interest and net change in number of accounts have been adjusted, where necessary, to exclude the effects of conversions and consolidations of savings banks and other types of institutions. Components may not add to totals due to rounding.

Net Change in Savings Bank Deposits, Including Interest, by Type of Account

(Amounts in millions of dollars)

	TOTAL	Market Linked: Total	Market Linked: 6-mo. CDs	Market Linked: 30-mo. CDs	Fixed Rate: Total	Fixed Rate: Ordinary Savings	Fixed Rate: Time
1980—Oct.	403	2,418	1,296	1,122	—2,014	—1,007	—1,008
Nov.	312	2,103	1,633	470	—1,791	—1,395	—396
Dec.	1,255	4,717	4,167	549	—3,461	—2,309	—1,153
1981—Jan.	—365	2,483	1,858	625	—2,847	—1,234	—1,613
Feb.	296	1,700	1,341	359	—1,405	—702	—703
Mar.	1,224	930	401	528	294	985	—691
Apr.	—1,234	397	—113	510	—1,631	—733	—898
May	148	1,941	1,841	101	—1,793	—1,147	—646
June	542	789	456	332	—247	280	—527
July	—1,133	1,085	873	212	—2,218	—950	—1,267
Aug.	—672	2,371	992	1,379	—3,043	—1,600	—1,444
Sept.	319	1,372	—495	1,867	—1,052	251	—1,303
Oct.	789	2,882*	—2,602	1,524	—2,094	—1,053	—1,041
MEMORANDA:							
Outstanding Deposits							
Oct. 31, 1980	149,797	56,162	44,771	11,391	93,636	57,651	35,984
Oct. 31, 1981	151,975	78,931*	55,103	19,868	73,044	48,238	24,806
Percent Distribution of Outstanding Deposits							
Oct. 31, 1980	100.0	37.5	29.9	7.6	62.5	38.5	24.0
Oct. 31, 1981	100.0	51.9	36.3	13.1	48.1	31.7	16.3

*—Includes All Savers Certificates not shown separately.

Source: NAMSB.

SHARPLY REDUCED purchases of All Savers Certificates led to a marked weakening in savings bank deposit flows during November. The industry reported a $1 billion deposit outflow, excluding interest—a record loss for November and far above the slim $65 million outflow in October. The November deposit experience, however, was not as large as the massive outflows sustained earlier this year. In the April-September period, for example, the monthly attrition in deposits averaged more than $1.5 billion.

All Savers Certificate growth totaled $800 million in November, only one-fifth the $4 billion gain registered in October. New money originating outside individual institutions represented 26% of the ASC gain in November, with the remaining 74% share due to internal transfers. Of the shifts from existing accounts, 35% was attributable to maturing six-month CDs, 23%, to passbook savings and 16%, to other time accounts.

The sharp slowdown in ASC activity largely reflected reduced yields on the new tax-free instrument. At 8.34% in late November, the ASC yield compared with the previous 10.77% rate, and the 12.61% yield which prevailed when the program was introduced on October 1. Also contributing to the slackening in ASC gains: (1) intensified investor preference for liquidity in

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- **Deposit Activity (by states).**
- **Deposit Activity.**
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Annual

- **Assets and Liabilities (by states—August SBJ)**
- **Income and Expenses (by states, October SBJ).**

a climate of deepening recession; (2) some holding off of purchases in anticipation of an interest rate increase next year; and (3) the relatively unfavorable yields on ASCs in comparison with rates on long-term tax-exempt bonds.

The drying up of All Savers activity at savings banks also raises new questions about the usefulness of this instrument. Although ASC purchases were expected to subside, the drop in November exceeded the expectations of many analysts. However, it would be premature to write off the tax-exempt deposit in the first few months of its existence. More time is needed to evaluate the All Savers program as consumers continue to examine its tax benefits in relation to their overall needs and the economic and financial climate. (END)

DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS,[1] BY STATES

(Amounts in thousands of dollars)

State	October 31, 1981					October 31, 1980				
	Amounts Deposited[2]	With-drawals	Net Change in Deposits			Amounts Deposited[2]	With-drawals	Net Change in Deposits		
			Excluding Interest	Incl. Interest				Excluding Interest	Incl. Interest	
				Amt.	%				Amt.	%
Connecticut	1,665,469	1,600,356	65,113	184,404	1.33	1,446,706	1,405,160	41,546	124,361	.94
Indiana	22,611	22,068	543	582	.23	20,653	18,756	1,897	2,121	.90
Maine	291,197	289,850	1,347	21,194	.83	314,150	304,483	9,667	25,329	1.03
Maryland	186,530	180,085	6,445	19,074	1.12	146,916	137,761	9,155	18,887	1.17
Massachusetts	2,657,802	2,618,461	39,341	209,149	.99	2,485,251	2,467,031	18,220	161,845	.77
New Hampshire	391,822	377,008	14,814	37,041	1.47	323,112	309,953	13,159	26,709	1.09
New Jersey	1,170,685	1,108,245	62,440	142,366	1.58	1,065,186	1,052,368	12,818	68,627	.81
New York—City	6,443,684	6,767,667	—323,983	—150,942	—.28	6,254,643	6,460,306	—205,663	—107,163	—.19
—Upstate	3,195,665	3,189,815	5,850	133,957	.57	2,573,264	2,651,837	—78,573	—12,820	—.06
Pennsylvania	1,986,425	1,883,153	103,272	194,998	1.50	1,476,944	1,489,959	—13,015	46,331	.37
Rhode Island	169,531	168,035	1,496	13,254	.76	164,593	165,582	—989	6,880	.42
Vermont	166,701	156,236	10,465	17,001	2.02	94,079	92,128	1,951	6,080	.74
Washington	583,739	613,677	—29,938	—19,898	—.52	485,582	456,557	29,025	35,779	.91
Wisconsin	11,261	7,930	3,331	3,523	4.24	8,989	8,586	403	658	.82
All other states	259,251	284,990	—25,739	—17,045	—7.3	351,195	359,984	—8,789	—902	—.04
Total	19,202,373	19,267,576	—65,203	788,657	.52	17,211,263	17,380,451	—169,188	402,722	.27

Note: See notes to "Assets and Liabilities of All Mutual Savings Banks."

[1] Excludes special purpose accounts such as checking, Christmas, vacation and school. [2] Excludes interest credited.

Source: NAMSB.

ASSETS AND LIABILITIES OF ALL MUTUAL SAVINGS BANKS

(Amounts in millions of dollars)

Date		Mortgages	GNMAs	Investments				Other assets	Total assets-Total liabilities & gen. res. accts.	Deposits			Other liabil-ities	General reserve accounts
				U.S. Govt. & Federal agencies	State & local Govt.	Corpo-rate bonds	Corpo-rate stocks			Total*	Savings	Time		
1975	**Dec. 31**	77,221	3,367	7,507	1,545	17,536	4,322	9,558	121,056	109,873	69,653	39,639	2,755	8,428
1976	**Dec. 31**	81,630	5,808	9,109	2,417	20,335	4,381	11,131	134,812	122,877	74,535	47,426	2,884	9,052
1977	**Dec. 31**	88,195	8,331	9,233	2,828	21,498	4,751	12,450	147,287	134,017	78,005	54,739	3,292	9,978
1978	**Dec. 31**	95,157	10,021	8,297	3,333	21,566	4,807	14,991	158,174	142,701	71,816	69,354	4,565	10,907
1979	**Dec. 31**	98,908	11,820	7,658	2,930	20,507	4,760	16,821	163,405	146,006	61,123	82,947	5,873	11,525
1980	**Nov. 30**	99,677	13,900	8,715	2,736	21,653	4,335	20,110	171,126	152,133	56,256	93,853	7,645	11,348
	Dec. 31	99,865	13,849	8,949	2,390	21,209	4,224	21,078	171,564	153,501	53,971	97,445	6,694	11,368
1981	**Jan. 31**	99,816	13,951	9,000	2,378	21,211	4,094	21,440	171,891	153,143	52,737	98,314	7,426	11,322
	Feb. 28	99,739	13,955	9,032	2,376	21,159	4,109	21,979	172,349	153,332	52,035	99,311	7,753	11,264
	Mar. 31	99,719	13,997	9,203	2,359	21,150	4,089	22,717	173,232	154,805	53,049	99,581	7,265	11,163
	Apr. 30	99,798	13,944	9,262	2,314	21,259	4,044	22,216	172,837	153,692	52,331	99,098	8,103	11,042
	May 31	99,790	13,952	9,296	2,328	21,202	3,957	23,252	173,776	153,891	51,212	100,447	8,962	10,923
	June 30	100,003	13,978	9,227	2,331	20,531	3,849	24,398	174,315	154,876	51,544	100,983	8,608	10,831
	July 31	100,095	13,974	9,361	2,291	20,589	3,811	24,457	174,578	153,757	50,593	100,800	10,156	10,665
	Aug. 31	99,987	13,965	9,369	2,326	20,446	3,770	24,899	174,761	153,120	49,003	101,750	11,124	10,516
	Sept. 30	99,944	13,994	9,594	2,323	20,384	3,740	25,255	175,234	153,412	49,254	101,818	11,459	10,364
	Oct. 31	99,903	14,079	9,765	2,394	20,302	3,727	25,523	175,693	154,066	48,238	103,737	11,513	10,114
	Nov. 30 (Est.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	153,716	n.a.	n.a.	n.a.	n.a.
% of Total Assets														
Oct. 31, 1981		56.9	8.0	5.6	1.4	11.5	2.1	14.5	100.0	87.7	27.5	59.0	6.5	5.8
Change during month		—137	84	170	71	—81	—14	238	331	541	—1,053	1,841	42	—252

Note: Balance sheet data beginning with April 30, 1979 are not strictly comparable with prior months. This largely reflects: (1) changes in FDIC reporting procedures; and (2) reclassification of certain items.

n.a.—not available. Est.—estimated. Source: NAMSB.

* — Total deposit figures include checking, school, club and certain other accounts not shown separately.

Note: GNMA figures refer to all types of mortgage-backed securities guaranteed by the Government National Mortgage Association.

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$15 million in new money has been attracted, Brown said last month.

In addition to the daily rate change, other features of the account include daily compounding and the ability to: withdraw principal with a 14-day notice and interest without notice after the monthly crediting of interest; make additional deposits of $1,000 or more; and check continuously by phone on the fund's current and past rates. As an open-ended account, the variable-rate jumbo CD service can be withdrawn with 14-days notice.

Through January 5, The Flexible Fund has had a weighted average yield of 12.313%, with an effective yield of 13.1%. Customers might have been able to obtain a higher yield elsewhere on any one day, Brown admits, but would not have had Flexible Fund's other advantages, such as the daily rate change and ability to add deposits.

The Flexible Fund required the development of an extensive software package, which tracks rates and tracks the jumbo CD investments. Erie is investing the funds mainly in short-term and 60-day to 90-day instruments.

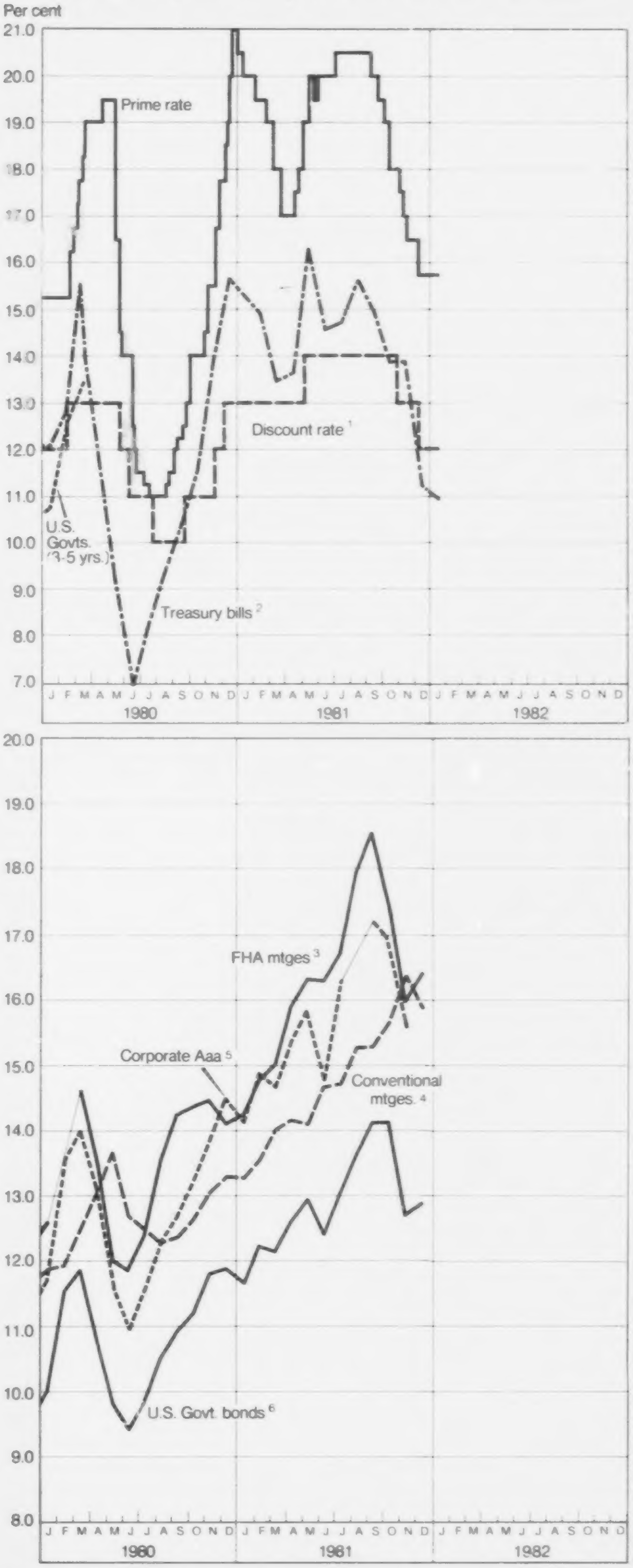
According to Howard T. Ford, chairman of the $2.5 billion-assets Erie, The Flexible Fund is a stepping stone for future deregulated Erie savings accounts. In fact, the variable account was developed with a proposed $25,000 minimum, no-rate-ceiling account in mind; the DIDC postponed action on that account at its December meeting and plans to consider it next month (see January Newsmonth).

"Such changes would enable us to open participation in The Flexible Fund to a broader segment of the public," said Ford.

Although The Flexible Fund is aimed at, and marketed as, "the answer to the money market funds," Erie officials noted that in the Buffalo area, most customers in the $100,000-range seek investments other than MMFs.

A few months before Erie introduced The Flexible Fund, several other banks began marketing jumbo CDs with some flexible features. For example, New York City's Union Dime Savings Bank, a division of Buffalo (N.Y.) Savings Bank, offers a 91-day jumbo CD, and changes the rate weekly based on the 91-day T-bill rate, minus 1%. And, Boston's First American Bank for Savings offers an open-ended jumbo CD with weekly rate changes based on the average of three leading Boston MMF rates.

SBJ Money and Capital Market Yield Trends



[1] Federal Reserve Bank of New York. [2] Three months, new issue rate. [3] Average secondary market yield on new construction: sec. 203, 30-year maturity, 15-year pre-payment and minimum down-payment. [4] Effective rate for purchase of new single-family homes. [5] New issues. [6] Maturing or callable in 10 years or more.

Mortgaging trends

MGIC acquisition set. Baldwin-United Corp.'s billion dollar merger with MGIC Investment Corp., Milwaukee, is expected to be completed some time this month, according to MGIC officials.

Baldwin-United, a Cincinnati-based holding company mainly involved with life and casualty insurance, offered in mid-December to buy MGIC at $52 per share. The transaction will cost approximately $1.2 billion. Baldwin-United also has the option to buy from MGIC 4.2 million common stock shares at the same price offered MGIC's shareholders.

At **SBJ** press time, the merger was pending approval of insurance regulators in Wisconsin, and in Illinois and New York where two MGIC subsidiaries are located. MGIC is parent company of Mortgage Guaranty Insurance Corp., American Municipal Bond Assurance Corp., and MGIC Indemnity.

When the merger is completed, Max H. Karl will continue as MGIC chairman and also will become chairman of the board of Baldwin-United. The merger agreement prompted the resignation of Gerald L. Friedman as MGIC's president and chief operating officer and as Mortgage Guaranty's chairman and chief executive officer. A new MGIC president has not yet been named.

Following Friedman's resignation, Leon T. Kendall was moved up from president of Mortgage Guaranty to chairman and chief executive, and William Lacy, Mortgage Guaranty's executive vice president, became president and chief operating officer.

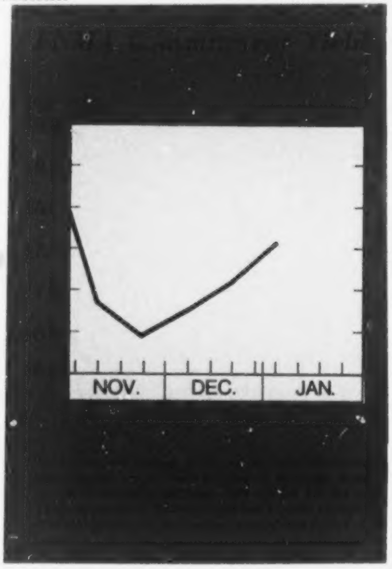
Karl said the merger offers MGIC greater resources to provide enhanced services. MGIC had earnings of $71.6 million for the first nine months of 1981, or $3.16 per share.

Rates fall. The FHLB Board reported last month that in December the average effective interest rate on new homes was 15.89% and on existing homes, 16.02%. In November, both had reached 16.38%.

The Board also reported that for new homes in December the average term-to-maturity increased to 27.7 years from November's 23.4 years, and the average purchase price rose to $88,700 from November's $84,500.

For existing homes in December, the average term-to-maturity fell to 25.2 years from 25.4 years, and the purchase price to $69,500 from $70,100.

Starts up. Housing construction ended the 1981 year on an upbeat note: Starts moved up to a seasonally adjusted annual rate of 978,000 in December, from 863,000 the previous month, the U.S. Commerce Department reported last month.



Single-family starts rose to an annual rate of 579,000, from November's 569,000, while total multifamily starts increased to 399,000, from November's 294,000.

Permits were also up in December. Single-family permits were at a 458,000 annual rate, up from 401,000; the multifamily permits rate was 349,000, up from 322,000.

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savings bank statistics

Prepared by NAMSB's Research Department
Jack Rubinson, Director

DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS

(Amounts in millions of dollars, accounts in thousands)

Period	Amounts Deposited	With-drawals	Net change in deposits: Excluding interest	Net change in deposits: Including interest: Amt.	Net change in deposits: Including interest: %	Number of accounts: Total	Number of accounts: Net Change
Annually							
1979	122,026	128,987	—6,962	2,659	1.88	31,250	685
1980	162,537	167,400	—4,863	6,851	4.76	32,462	1,212
Monthly							
1980—Dec.	13,158	13,797	—639	1,255	.84	32,462	n.a.
1981—Jan.	13,734	14,713	—979	—365	—.24	n.a.	n.a.
Feb.	10,675	11,061	—385	296	.20	n.a.	n.a.
Mar.	13,354	14,111	—757	1,224	.81	n.a.	n.a.
Apr.	15,440	17,465	—2,025	—1,234	—.81	n.a.	n.a.
May	13,164	13,839	—676	148	.10	n.a.	n.a.
June	12,916	14,303	—1,387	542	.36	32,015	n.a.
July	15,058	16,993	—1,935	—1,133	—.74	n.a.	n.a.
Aug.	14,334	15,876	—1,542	—672	—.44	n.a.	n.a.
Sept.	14,117	15,797	—1,679	319	.21	n.a.	n.a.
Oct.	19,202	19,268	—65	789	.05	n.a.	n.a.
Nov.	13,031	14,091	—1,060	—188	—.12	n.a.	n.a.
Dec. (Est.)	n.a.	n.a.	—1,300	800	.53	n.a.	n.a.

n.a.—not available. Est.—estimated. Source: NAMSB.

Note: Annual and monthly data for net change in deposits including interest and net change in number of accounts have been adjusted, where necessary, to exclude the effects of conversions and consolidations of savings banks and other types of institutions. Components may not add to totals due to rounding.

Net Change in Savings Bank Deposits, Including Interest, by Type of Account

(Amounts in millions of dollars)

	TOTAL	Market Linked: Total	Market Linked: 6-mo. CDs	Market Linked: 30-mo. CDs	Fixed Rate: Total	Fixed Rate: Ordinary Savings	Fixed Rate: Time
1980—Nov.	312	2,103	1,633	470	—1,791	—1,395	—396
Dec.	1,255	4,717	4,167	549	—3,461	—2,309	—1,153
1981—Jan.	—365	2,483	1,858	625	—2,847	—1,234	—1,613
Feb.	296	1,700	1,341	359	—1,405	—702	—703
Mar.	1,224	930	401	528	294	985	—691
Apr.	—1,234	397	—113	510	—1,631	—733	—898
May	148	1,941	1,841	101	—1,793	—1,147	—646
June	542	789	456	332	—247	280	—527
July	—1,133	1,085	873	212	—2,218	—950	—1,267
Aug.	—672	2,371	992	1,379	—3,043	—1,600	—1,444
Sept.	319	1,372	—495	1,867	—1,052	251	—1,303
Oct.	789	2,882*	—2,602	1,524	—2,094	—1,053	—1,041
Nov.	—188	842*	—984	1,012	—1,030	218	—1,248
MEMORANDA:							
Outstanding Deposits							
Nov. 30, 1980	150,109	58,238	46,377	11,861	91,871	56,256	35,614
Nov. 30, 1981	151,787	79,773*	54,119	20,880	72,014	48,456	23,558
Percent Distribution of Outstanding Deposits							
Nov. 30, 1980	100.0	38.8	30.9	7.9	61.2	37.5	23.7
Nov. 30, 1981	100.0	52.6*	35.7	13.8	47.4	31.9	15.5

*—Includes All Savers Certificates not shown separately. Source: NAMSB.

In December, savings banks reported a savings and time deposit loss of $1.3 billion, excluding interest. This was a record outflow for the month and marked the second consecutive month of $1 billion-plus outflows. As a result of the December deposit drain, the net deposit outflow for all 1981 amounted to $13.8 billion or nearly twice the previous record disintermediation of $7 billion set in 1979. Including interest credited, outstanding industry deposits increased by $525 million last year.

The unfavorable savings bank deposit showing in December partly reflected the drying up of All Savers Certificate purchases. ASC balances increased by only $300 million in December, compared to $800 million in November and the $4 billion attracted in October when the tax-exempt CD was first introduced. At the same time, heavy deposit losses at savings banks involved in past or expected FDIC-assisted mergers also contributed significantly to the late 1981 weakening in overall deposit flows.

Preliminary indications point to continued heavy deposit losses in early January at many savings banks. During this period, new funds attracted in the expanded IRA/Keogh program were relatively modest, apparently reflecting initial consumer caution in the face of widely varying types of retirement plans offered by a host of competitors.

On the earnings front, bottom-line losses at savings banks deepened further

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Monthly

- **Deposit Activity (by states).**
- **Deposit Activity.**
- **Assets and Liabilities.**

Semiannual

- **100 Largest Mutual Savings Banks (March and September SBJ).**

Annual

- **Assets and Liabilities (by states—August SBJ)**
- **Income and Expenses (by states, October SBJ).**

in the fourth quarter of 1981. According to available information, the industry experienced a net decline in surplus reserves equivalent to an annualized 156 basis points on assets, up from the 108 basis points reduction recorded for the third quarter as a whole.

Short-run prospects for a significant improvement in savings bank earnings experience have become increasingly uncertain. Available evidence suggests that overall bottom-line losses diminished slightly in November and December. However, recent increases in short-term interest rates have narrowed the yield between new and maturing six-month CDs, limiting the potential relief from declining MMC costs in the months ahead. **(END)**

DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS,[1] BY STATES

(Amounts in thousands of dollars)

State	November 1981					November 1980				
	Amounts Deposited[2]	Withdrawals	Net Change in Deposits			Amounts Deposited[2]	Withdrawals	Net Change in Deposits		
			Excluding Interest	Incl. Interest				Excluding Interest	Incl. Interest	
				Amt.	%				Amt.	%
Connecticut	1,144,301	1,190,235	—45,934	76,539	.54	1,001,611	964,410	37,201	116,242	.87
Indiana	16,014	15,887	127	249	.10	12,061	11,145	916	955	.40
Maine	234,254	253,561	—19,307	1,908	.07	206,285	207,979	—1,694	12,831	.52
Maryland	108,892	119,171	—10,279	2,382	.14	116,800	100,222	16,578	24,757	1.52
Massachusetts	2,158,058	2,264,959	—106,901	66,020	.31	1,871,543	1,911,750	—40,207	80,437	.38
New Hampshire	314,153	335,277	—21,124	944	.04	229,559	233,726	—4,167	7,595	.31
New Jersey	710,567	780,383	—69,816	10,427	.11	646,383	637,454	8,929	57,726	.68
New York—City	4,104,272	4,602,555	—498,283	—339,712	—.62	3,404,316	3,576,205	—171,889	—83,469	—.15
—Upstate	2,035,196	2,089,848	—54,652	98,878	.42	1,544,915	1,529,312	15,603	106,075	.46
Pennsylvania	1,379,681	1,578,736	—199,055	—106,405	—.81	1,173,886	1,275,079	—101,193	—42,541	—.34
Rhode Island	121,675	113,159	8,516	19,071	1.09	91,578	89,444	2,134	7,636	.46
Vermont	113,138	109,414	3,724	10,035	1.17	72,355	74,628	—2,273	1,822	.22
Washington	375,300	413,908	—38,608	—28,309	—.74	379,456	370,607	8,849	12,209	.31
Wisconsin	7,244	9,200	—1,956	—1,762	—2.04	4,650	4,061	589	704	.87
All other states	208,059	214,770	—6,711	1,800	.08	227,604	224,407	3,197	8,732	.37
Total	13,030,804	14,091,063	—1,060,259	—187,936	—.12	10,983,002	11,210,429	—227,427	311,711	.21

Note: See notes to "Assets and Liabilities of All Mutual Savings Banks."

[1] Excludes special purpose accounts such as checking, Christmas, vacation and school. [2] Excludes interest credited.

Source: NAMSB.

ASSETS AND LIABILITIES OF ALL MUTUAL SAVINGS BANKS

(Amounts in millions of dollars)

Date	Mortgages	GNMAs	Investments				Other assets	Total assets-Total liabilities & gen. res. accts.	Deposits			Other liabilities	General reserve accounts
			U.S. Govt. & Federal agencies	State & local Govt.	Corporate bonds	Corporate stocks			Total*	Savings	Time		
1975 Dec. 31	77,221	3,367	7,507	1,545	17,536	4,322	9,558	121,056	109,873	69,653	39,639	2,755	8,428
1976 Dec. 31	81,630	5,808	9,109	2,417	20 335	4,381	11,131	134,812	122,877	74,535	47,426	2,884	9,052
1977 Dec. 31	88,195	8,331	9,233	2,828	21,498	4,751	12,450	147,287	134,017	78,005	54,739	3,292	9,978
1978 Dec. 31	95,157	10,021	8,297	3,333	21,566	4,807	14,991	158,174	142,701	71,816	69,354	4,565	10,907
1979 Dec. 31	98,908	11,820	7,658	2,930	20,507	4,760	16,821	163,405	146,006	61,123	82,947	5,873	11,525
1980 Dec. 31	99,865	13,849	8,949	2,390	21,209	4,224	21,078	171,564	153,501	53,971	97,445	6,694	11,368
1981 Jan. 31	99,816	13,951	9,000	2,378	21,211	4,094	21,440	171,891	153,143	52,737	98,314	7,426	11,322
Feb. 28	99,739	13,955	9,032	2,376	21,159	4,109	21,979	172,349	153,332	52,035	99,311	7,753	11,264
Mar. 31	99,719	13,997	9,203	2,359	21,150	4,089	22,717	173,232	154,805	53,049	99,581	7,265	11,163
Apr. 30	99,798	13,944	9,262	2,314	21,259	4,044	22,216	172,837	153,692	52,331	99,098	8,103	11,042
May 31	99,790	13,952	9,296	2,328	21,202	3,957	23,252	173,776	153,891	51,212	100,447	8,962	10,923
June 30	100,003	13,978	9,227	2,331	20,531	3,849	24,398	174,315	154,876	51,544	100,983	8,608	10,831
July 31	100,095	13,974	9,361	2,291	20,589	3,811	24,457	174,578	153,757	50,593	100,800	10,156	10,665
Aug. 31	99,987	13,965	9,369	2,326	20,446	3,770	24,899	174,761	153,120	49,003	101,750	11,124	10,516
Sept. 30	99,944	13,994	9,594	2,323	20,384	3,740	25,255	175,234	153,412	49,254	101,818	11,459	10,364
Oct. 31	99,903	14,079	9,765	2,394	20,302	3,727	25,523	175,693	154,066	48,238	103,737	11,513	10,114
Nov. 30	99,879	13,893	9,508	2,271	20,268	3,713	25,727	175,258	153,809	48,456	103,331	11,434	10,015
Dec. 31 (Est.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	154,709	n.a.	n.a.	n.a.	n.a.
% of Total Assets													
Nov. 30, 1981	57.0	7.9	5.4	1.3	11.5	2.1	14.7	100.0	87.8	27.6	59.0	6.5	5.7
Change during month	—24	—186	—257	—123	—34	—14	204	—435	—257	218	—406	—79	—99

Note: Balance sheet data beginning with April 30, 1979 are not strictly comparable with prior months. This largely reflects: (1) changes in FDIC reporting procedures; and (2) reclassification of certain items.

n.a.—not available. Est.—estimated. Source: NAMSB.

* — Total deposit figures include checking, school, club and certain other accounts not shown separately.

Note: GNMA figures refer to all types of mortgage-backed securities guaranteed by the Government National Mortgage Association.

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Savings Bank Journal

March 1982

Official publication of the National Association of Mutual Savings Banks

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100 Largest Savings Banks

ranked by Dec. 31, 1981 deposits

ONCE AGAIN, the six-month deposit gain of the nation's 100 largest savings banks as a group did not include net new money.

As of December 31, deposits of the industry's 100 largest had increased by $1.3 billion, compared to the group's deposits at the end of last June, according to the NAMSB Research Department. But this gain is only 25% of the estimated $5.3 billion these banks paid their depositors in the last half of 1981.

Similarly, because of disintermediation, interest credited accounted for all the net deposit increase of the 100 largest in the first half of 1981 and in several previous half-year periods.

The 100 largest deposit increase in the most recent half-year period is described by the Research Department as the lowest among these tallies since World War II. Moreover, a pattern of both voluntary and federally assisted mergers surfaced among the 100 largest during the last half-year period. And this resulted in more volatile shifts in the deposit rankings of the 100 largest than has occurred in the prior half-year periods.

Reflecting the increased volatility, 94 of the 100 largest savings banks held different ranking positions on December 31 than they held six months before. This compares to 83 such changes in the first half of 1981 and 74 in the previous half year.

Though most of the ranking changes shown in the current 100 largest listing are movements of only one or two notches up or down, they also include much greater movements. In fact, 48 savings banks shifted three or more steps in rank. The Metropolitan Savings Bank, New York City, for example, jumped upward by 12 steps and became one of the top 10 savings banks in deposits. And the Erie Savings Bank, fsb, Buffalo, N.Y., advanced three steps to enter the top 10 group, also for the first time.

Both the Metropolitan and Erie advanced in ranking after they had merged other thrifts. In November, Metropolitan combined with The Greenwich Savings Bank, and a month later with The Brooklyn Savings Bank, both of New York City. The Erie merged the Home Federal Savings and Loan Association of East Rochester, N.Y., in October and then in November it acquired the Empire State Federal S&L of White Plains, N.Y.

Merger also accounted for the 27-step upward jump, to number 25, of the Harlem Savings Bank, New York City, which in December merged the Central Savings Bank of that city.

In addition, combining under the name of the Home and City Savings Bank of Albany, N.Y., the City and County Savings Bank and the Home Savings Bank of Upstate New York, both of Albany, moved onto the 100 largest listing in the 57th slot.

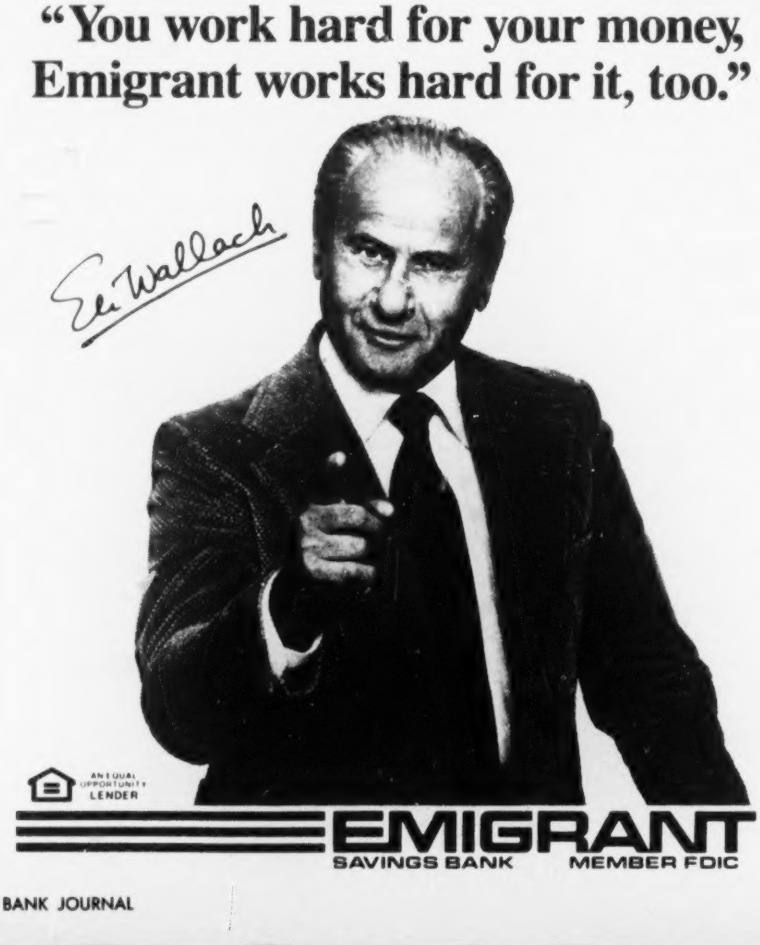
Several savings banks in the 100 list had large ranking advances without benefit of mergers. New Jersey's Harmonia Savings Bank, Elizabeth, and the New Brunswick Savings Bank each moved up nine steps, to 75 and 80, respectively. In New York City, the Staten Island Savings Bank advanced eight steps and the Hamburg Savings Bank moved up six steps, and in Rhode Island, the Citizens Savings Bank, Providence, now is ranked 55th, up from 63rd.

Rank on 12-31-81		Deposits in thousands of dollars	Rank on 6-30-81
1.	The Philadelphia (Pa.) Saving Fund Society	$6,564,487	1.
2.	The Dime Savings Bank of New York, New York City	5,166,165	2.
3.	Metropolitan Savings Bank, New York City	5,118,516	15.
4.	The Bowery Savings Bank, New York City	4,729,790	3.
5.	Buffalo (N.Y.) Savings Bank	3,705,483	7.
6.	Emigrant Savings Bank, New York City	2,853,974	5.
7.	The Howard Savings Bank, Newark, N.J.	2,775,580	6.
8.	The New York Bank for Savings, New York City	2,748,774	4.
9.	Dollar Savings Bank, New York City	2,443,206	8.
10.	Erie Savings Bank, fsb, Buffalo, N.Y.	2,388,993	13.
11.	American Savings Bank, New York City	2,141,596	9.
12.	The Williamsburgh Savings Bank, New York City	2,106,060	10.
13.	The Manhattan Savings Bank, New York City	2,059,124	12.
14.	The Western Saving Fund Society of Philadelphia, Pa.	2,029,715	11.
15.	People's Savings Bank-Bridgeport, Conn.	1,991,188	19.
16.	Dry Dock Savings Bank, New York City	1,946,726	17.
17.	Anchor Savings Bank, fsb, New York City	1,910,593	14.
18.	The Lincoln Savings Bank, New York City	1,884,177	20.
19.	Washington Mutual Savings Bank, Seattle	1,853,187	18.
20.	The Greater New York Savings Bank, New York City	1,713,061	21.
21.	The Seamen's Bank for Savings, New York City	1,626,097	22.
22.	East River Savings Bank, New York City	1,623,893	23.

100 Largest Savings Banks

Rank on 12-31-81		Deposits in thousands of dollars	Rank on 6-30-81
23.	Beneficial Mutual Savings Bank, Philadelphia, Pa.	1,564,995	24.
24.	Society for Savings, Hartford, Conn.	1,506,899	25.
25.	Harlem Savings Bank, New York City	1,441,498	52.
26.	Albany (N.Y.) Savings Bank	1,385,584	27.
27.	Germantown Savings Bank, Bala-Cynwyd, Pa.	1,279,825	29.
28.	Dollar Savings Bank, Pittsburgh, Pa.	1,266,690	31.
29.	Jamaica Savings Bank, New York City	1,226,343	30.
30.	The Schenectady (N.Y.) Savings Bank, fsb.	1,222,956	33.
31.	Hudson City Savings Bank, Jersey City, N.J.	1,193,193	32.
32.	The Green Point Savings Bank, New York City	1,177,765	34.
33.	The Community Savings Bank, Rochester, N.Y.	1,091,703	35.
34.	The Long Island Savings Bank, New York City	1,082,456	36.
35.	Mutual Bank For Savings, Boston, Mass.	1,008,814	38.
36.	The Savings Bank of Baltimore, Md.	997,509	39.
37.	East New York Savings Bank, New York City	991,140	37.
38.	Independence Savings Bank, New York City	951,637	40.
39.	Onondaga Savings Bank, Syracuse, N.Y.	934,754	41.
40.	Rochester (N.Y.) Savings Bank	886,498	44.
41.	The Western New York Savings Bank, Buffalo	879,537	42.
42.	The Boston (Mass.) Five Cents Savings Bank	851,294	43.
43.	The Provident Institution for Savings, Boston, Mass.	851,156	45.
44.	The Farmers and Mechanics Savings Bank of Minneapolis, Minn.	827,286	46.
45.	Syracuse (N.Y) Savings Bank	811,229	49.
46.	Roosevelt Savings Bank, New York City	809,944	47.
47.	Peoples Westchester Savings Bank, Hawthorne, N.Y.	803,452	51.
48.	United Mutual Savings Bank, New York City	781,517	50.
49.	Ridgewood Savings Bank, New York City	780,775	48.
50.	Wilmington (Del.) Savings Fund Society	766,639	53.
51.	Connecticut Savings Bank, New Haven	766,015	54.
52.	The New Haven (Conn.) Savings Bank	745,378	55.
53.	The Morris County Savings Bank, Morristown, N.J.	715,453	57.
54.	The Queens County Savings Bank, New York City	687,781	60.
55.	Citizens Savings Bank, Providence, R.I.	680,052	63.
56.	Charlestown Savings Bank, Boston, Mass.	671,191	59.
57.	Home and City Savings Bank, Albany, N.Y.	665,980	—.
58.	Hamburg Savings Bank, New York City	665,271	64.
59.	Eastern Savings Bank, New York City	665,259	61.
60.	Provident Savings Bank, Jersey City, N.J.	652,182	62.
61.	Richmond Hill Savings Bank, New York City	651,939	58.
62.	Provident Savings Bank of Baltimore, Md.	636,801	65.
63.	The Banking Center, Waterbury, Conn.	621,767	68.
64.	The Roslyn (N.Y.) Savings Bank	602,554	66.
65.	United States Savings Bank of Newark, N.J.	578,108	67.
66.	Fidelity Mutual Savings Bank, Spokane, Wash.	563,742	69.
67.	The Binghamton (N.Y.) Savings Bank	561,751	70.
68.	Monroe Savings Bank, Rochester, N.Y.	557,936	71.
69.	Staten Island Savings Bank, New York City	519,682	75.
70.	The Dime Savings Bank of Williamsburgh, New York City	519,371	72.
71.	The Savings Bank of Utica, N.Y.	517,452	73.
72.	Springfield (Mass.) Institution for Savings	512,679	74.
73.	Worcester (Mass.) County Institution for Savings	487,172	78.
74.	Orange Savings Bank, Livingston, N.J.	485,720	79.
75.	Harmonia Savings Bank, Elizabeth, N.J.	480,438	84.
76.	Mechanics and Farmers Savings Bank, Bridgeport, Conn.	478,325	77.
77.	North Side Savings Bank, New York City	464,626	76.
78.	Maine Savings Bank, Portland	464,420	81.

Rank on 12-31-81		Deposits in thousands of dollars	Rank on 6-30-81
79.	American Savings Bank, New Britain, Conn.	459,533	80.
80.	New Brunswick (N.J.) Savings Bank	450,800	89.
81.	Bloomfield (N.J.) Savings Bank	444,692	85.
82.	The Permanent Savings Bank, Niagara Falls, N.Y.	436,622	82.
83.	The Poughkeepsie (N.Y.) Savings Bank	433,936	83.
84.	South Boston Savings Bank, Boston, Mass.	431,378	86.
85.	Eastern Savings Bank, Lynn, Mass.	423,486	87.
86.	Amoskeag Savings Bank, Manchester, N.H.	415,135	88.
87.	Mechanics Savings Bank, Hartford, Conn.	404,496	91.
88.	Lincoln Mutual Savings Bank, Spokane, Wash.	391,737	92.
89.	The Perth Amboy (N.J.) Savings Institution	385,692	93.
90.	Union Warren Savings Bank, Boston, Mass.	385,488	90.
91.	The Home Savings Bank, White Plains, N.Y.	383,668	95.
92.	The Troy (N.Y.) Savings Bank	380,077	96.
93.	Eastchester Savings Bank, Mount Vernon, N.Y.	376,018	94.
94.	Burlington (Vt.) Savings Bank	372,546	98.
95.	Riverhead (N.Y.) Savings Bank	357,932	100.
96.	Community Savings Bank, Holyoke, Mass.	352,507	97.
97.	Peoples Savings Bank, Worcester, Mass.	348,810	99.
98.	New Bedford (Mass.) Institution for Savings	348,415	—.
99.	Richmond County Savings Bank, New York City	333,053	—.
100.	Home Savings Bank, Boston, Mass.	330,568	—.
	Total deposits, 100 largest	$116,019,107	
	Total deposits, all savings banks	$154,912,922	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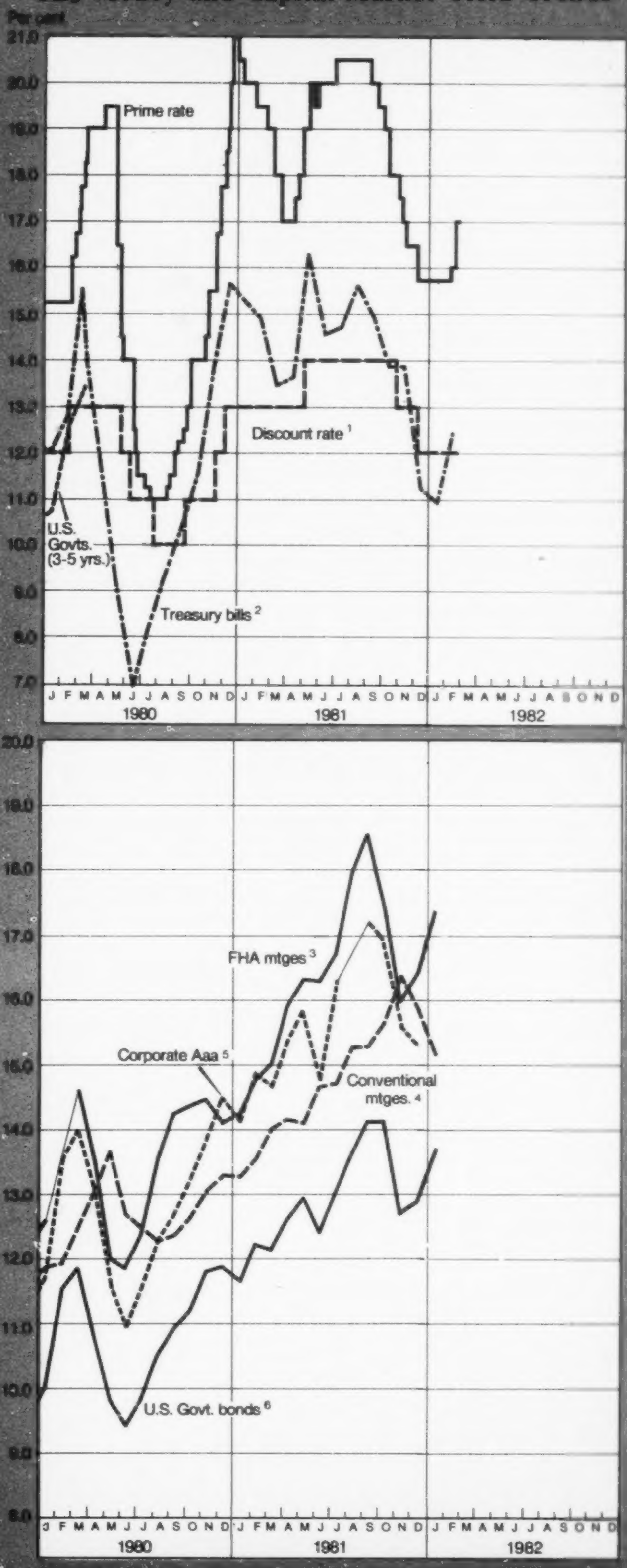
SBJ Money and Capital Market Yield Trends



¹ Federal Reserve Bank of New York. ² Three-month, new issue rate. ³ Average secondary market yield on new construction; sec. 203, 30-year maturity, 15-year pre-payment and minimum down-payment. ⁴ Effective rate for purchase of new single-family homes. ⁵ New issues. ⁶ Maturing or callable in 10 years or more.

Mortgaging trends *(cont.)*

A major Phase II feature designed to attract new originations is a 180-day mandatory delivery period, in addition to the existing 60-day delivery period. It is the first time that FHLMC has given lenders up to six months to originate loans against commitments.

In addition, the program allows lenders to set the PC rate based on the coupon rate of the mortgages swapped. Under the original program, the PC rate and, therefore, the mortgage coupon rate, were set prior to each monthly auction.

Also, under the second phase, lenders can now offer whole loans in addition to participations. The FHLMC has set a $5 million minimum offer and no maximum offer on competitive bidding, and a $5 million limit per seller per auction on noncompetitive bidding.

Developing condos. Boston's The Mutual Bank For Savings is involved in another joint venture project—this

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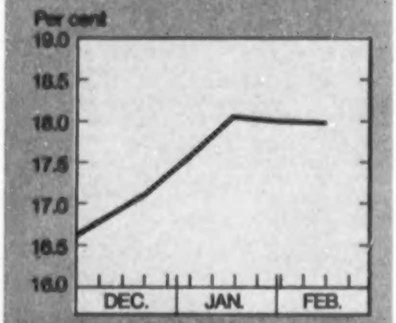
time, it will develop 42 condominiums abutting the now-publicly-owned Chestnut Hill Golf Course in Newton, Mass.

While the $1.16 billion-assets savings bank has been involved in several joint ventures—"that's the way to go," says Vice President Barry L. Queen—the so-called Chestnut Hill condo project is the first one the bank has worked on that grew out of a bank foreclosure.

The condominiums will be developed in a joint venture by the Chestnut Hill Development Corp., the Mutual Bank subsidiary established for the project, and Mel Barkan Construction Co. of Newton. The estimated project-cost is $8 million-$10 million.

Project plans began several years ago after The Mutual Bank foreclosed on the Chestnut Hill Country Club, sold the property at auction to a neighborhood group, the Newton Commonwealth Foundation, and retained the mortgage.

FNMA Commitment Yields



Note: Data are average yields on mortgage commitment bids accepted by the Federal National Mortgage Association at its biweekly auctions. Data are for 120-day bids. Yields are gross of ⅜% servicing fee. Figures assume 30-year mortgages with an assumed prepayment period of 12 years.

After years of planning, the project pulled together October 31 when the city purchased part of the property from the foundation, including the buildings and 71 acres of the golf course, but not the parcels on which the condos will be built. That transaction reduced the mortgage balance by approximately $800,000.

According to Queen, who is president of the Chestnut Hill subsidiary, the joint venture team will buy the remaining parcels and retire the mortgage balance of $500,000. Development will start this year.

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savings bank statistics

Prepared by NAMSB's Research Department
Jack Rubinson, Director

DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS

(Amounts in millions of dollars, accounts in thousands)

Period	Amounts Deposited	With-drawals	Net change in deposits: Excluding interest	Net change in deposits: Including interest: Amt.	Net change in deposits: Including interest: %	Number of accounts: Total	Number of accounts: Net Change
Annually							
1979	122,026	128,987	—6,962	2,659	1.88	31,250	685
1980	162,537	167,400	—4,863	6,851	4.76	32,462	1,212
Monthly							
1981—Jan.	13,734	14,713	—979	—365	—.24	n.a.	n.a.
Feb.	10,675	11,061	—385	296	.20	n.a.	n.a.
Mar.	13,354	14,111	—757	1,224	.81	n.a.	n.a.
Apr.	15,440	17,465	—2,025	—1,234	—.81	n.a.	n.a.
May	13,164	13,839	—676	148	.10	n.a.	n.a.
June	12,916	14,303	—1,387	542	.36	32,015	n.a.
July	15,058	16,993	—1,935	—1,133	—.74	n.a.	n.a.
Aug.	14,334	15,876	—1,542	—672	—.44	n.a.	n.a.
Sept.	14,117	15,797	—1,679	319	.21	n.a.	n.a.
Oct.	19,202	19,268	—65	789	.05	n.a.	n.a.
Nov.	13,031	14,091	—1,060	—188	—.12	n.a.	n.a.
Dec.	12,680	13,963	—1,283	849	.56	n.a.	n.a.
1982—Jan. (Est.)	n.a.	n.a.	—1,000	—200	—.13	n.a.	n.a.

n.a.—not available. Est.—estimated. Source: NAMSB.

Note: Annual and monthly data for net change in deposits including interest and net change in number of accounts have been adjusted, where necessary, to exclude the effects of conversions and consolidations of savings banks and other types of institutions. Components may not add to totals due to rounding.

Net Change in Savings Bank Deposits, Including Interest, by Type of Account

(Amounts in millions of dollars)

	TOTAL	Market Linked: Total	Market Linked: 6-mo. CDs	Market Linked: 30-mo. CDs	Fixed Rate: Total	Fixed Rate: Ordinary Savings	Fixed Rate: Time
1980—Dec.	1,255	4,717	4,167	549	—3,461	—2,309	—1,153
1981—Jan.	—365	2,483	1,858	625	—2,847	—1,234	—1,613
Feb.	296	1,700	1,341	359	—1,405	—702	—703
Mar.	1,224	930	401	528	294	985	—691
Apr.	—1,234	397	—113	510	—1,631	—733	—898
May	148	1,941	1,841	101	—1,793	—1,147	—646
June	542	789	456	332	—247	280	—527
July	—1,133	1,085	873	212	—2,218	—950	—1,267
Aug.	—672	2,371	992	1,379	—3,043	—1,600	—1,444
Sept.	319	1,372	—495	1,867	—1,052	251	—1,303
Oct.	789	2,882*	—2,602	1,524	—2,094	—1,053	—1,041
Nov.	—188	842*	—984	1,012	—1,030	218	—1,248
Dec.	849	743*	—430	892	106	902	—796
MEMORANDA:							
Outstanding Deposits							
Dec. 31, 1980	151,416	62,981	50,551	12,430	88,434	53,971	34,463
Dec. 31, 1981	152,834	80,516*	53,689	21,772	72,318	49,409	22,909
Percent Distribution of Outstanding Deposits							
Dec. 31, 1980	100.0	41.6	33.4	8.2	58.4	35.6	22.8
Dec. 31, 1981	100.0	52.7*	35.1	14.2	47.3	32.3	15.0

*—Includes All Savers Certificates not shown separately. Source: NAMSB.

DEPOSIT LOSSES at savings banks diminished in January and early February as outflows from six-month CDs dried up and the industry encountered some success in attracting new funds under the liberalized Individual Retirement Account program. In January, savings banks experienced a $1 billion savings and time deposit loss, excluding interest. This trailed the $1.3 billion drain sustained in December and also fell short of the peak January loss of $1.4 billion in 1980. It was also only the second month since February 1981 that disintermediation had dropped below record levels. (The other time was in October 1981 when All Savers Certificates were introduced.)

Preliminary evidence further indicates that savings bank deposit losses continued to slacken in the first half of February. Reports received by NAMSB show that many institutions were either experiencing sharply reduced savings and time deposit outflows or actual gains during this period.

On the earnings front, figures reveal that bottom-line losses at savings banks increased to record proportions in 1981. The industry recorded a net decline in surplus of $1.5 billion or .86% of assets last year, far worse than the $206 million loss in reserves registered in 1980.

Not surprisingly, soaring deposit in-

INDEX TO STATISTICAL SECTION

Monthly

- **Deposit Activity (by states).**
- **Deposit Activity.**
- **Assets and Liabilities.**

Semiannual

- **100 Largest Mutual Savings Banks (March and September SBJ).**

Annual

- **Assets and Liabilities (by states—August SBJ)**
- **Income and Expenses (by states, October SBJ).**

terest costs were primarily responsible for the deepening red ink reported for last year. The effective rate of interest paid on deposits surged by an extraordinary 175 basis points to an estimated 9.60%. This was more than double the increase in gross earnings rates. In the fourth quarter of 1981, savings banks as a whole were paying an annualized interest rate on deposits in excess of 11%.

(END)

DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS,[1] BY STATES

(Amounts in thousands of dollars)

State	December 1981					December 1980				
	Amounts Deposited[2]	With-drawals	Net Change in Deposits			Amounts Deposited[2]	With-drawals	Net Change in Deposits		
			Excluding Interest	Incl. Interest				Excluding Interest	Incl. Interest	
				Amt.	%				Amt.	%
Connecticut	1,060,872	1,155,515	—94,643	33,673	.24	1,174,819	1,220,612	—45,793	68,966	.51
Indiana	11,833	12,666	—833	371	.15	18,782	19,041	—259	11,942	4.99
Maine	227,696	252,743	—25,047	—4,406	—.17	252,408	253,898	—1,490	14,647	.59
Maryland	99,676	97,104	2,572	9,126	.53	123,350	139,981	—16,631	—12,294	—.74
Massachusetts	2,004,557	2,222,482	—217,925	—47,491	—.22	2,353,732	2,540,329	—186,597	6,629	.03
New Hampshire	298,536	336,174	—37,638	—18,941	—.74	326,659	337,020	—10,361	12,568	.51
New Jersey	1,232,942	1,304,222	—71,280	6,415	.07	771,374	817,462	—46,088	29,836	.35
New York—City	3,503,245	3,961,596	—458,351	550,535	1.02	3,945,853	4,156,800	—210,947	641,659	1.17
—Upstate	2,308,279	2,505,952	—197,673	202,767	.85	1,903,772	1,958,690	—54,918	258,934	1.12
Pennsylvania	1,068,820	1,225,776	—156,956	—10,224	.08	1,308,811	1,336,786	—27,975	103,869	.83
Rhode Island	108,504	125,718	—17,214	6,387	.36	129,807	128,114	1,693	21,880	1.31
Vermont	110,366	108,701	1,665	9,733	1.12	108,723	112,363	—3,640	4,763	.57
Washington	404,370	427,606	—23,236	51,020	1.34	470,747	482,522	—11,775	59,925	1.51
Wisconsin	4,909	5,199	—290	783	.92	5,284	5,683	—399	270	.33
All other states	235,556	221,997	13,559	59,389	2.58	263,863	287,440	—23,577	31,487	1.31
Total	12,680,161	13,963,451	—1,283,290	849,137	.56	13,157,984	13,796,741	—638,757	1,255,082	.84

Note: See notes to "Assets and Liabilities of All Mutual Savings Banks."

[1] Excludes special purpose accounts such as checking, Christmas, vacation and school. [2] Exludes interest credited.

Source: NAMSB.

ASSETS AND LIABILITIES OF ALL MUTUAL SAVINGS BANKS

(Amounts in millions of dollars)

Date		Mortgages	GNMAs	Investments				Other assets	Total assets-Total liabilities & gen. res. accts.	Deposits			Other liabil-ities	General reserve accounts
				U.S. Govt. & Federal agencies	State & local Govt.	Corpo-rate bonds	Corpo-rate stocks			Total*	Savings	Time		
1976	**Dec. 31**	81,630	5,808	9,109	2,417	20,335	4,381	11,131	134,812	122,877	74,535	47,426	2,884	9,052
1977	**Dec. 31**	88,195	8,331	9,233	2,828	21,498	4,751	12,450	147,287	134,017	78,005	54,739	3,292	9,978
1978	**Dec. 31**	95,157	10,021	8,297	3,333	21,566	4,807	14,991	158,174	142,701	71,816	69,354	4,565	10,907
1979	**Dec. 31**	98,908	11,820	7,658	2,930	20,507	4,760	16,821	163,405	146,006	61,123	82,947	5,873	11,525
1980	**Dec. 31**	99,865	13,849	8,949	2,390	21,209	4,224	21,078	171,564	153,501	53,971	97,445	6,694	11,368
1981	**Jan. 31**	99,816	13,951	9,000	2,378	21,211	4,094	21,440	171,891	153,143	52,737	98,314	7,426	11,322
	Feb. 28	99,739	13,955	9,032	2,376	21,159	4,109	21,979	172,349	153,332	52,035	99,311	7,753	11,264
	Mar. 31	99,719	13,997	9,203	2,359	21,150	4,089	22,717	173,232	154,805	53,049	99,581	7,265	11,163
	Apr. 30	99,798	13,944	9,262	2,314	21,259	4,044	22,216	172,837	153,692	52,331	99,098	8,103	11,042
	May 31	99,790	13,952	9,296	2,328	21,202	3,957	23,252	173,776	153,891	51,212	100,447	8,962	10,923
	June 30	100,003	13,978	9,227	2,331	20,531	3,849	24,398	174,315	154,876	51,544	100,983	8,608	10,831
	July 31	100,095	13,974	9,361	2,291	20,589	3,811	24,457	174,578	153,757	50,593	100,800	10,156	10,665
	Aug. 31	99,987	13,965	9,369	2,326	20,446	3,770	24,899	174,761	153,120	49,003	101,750	11,124	10,516
	Sept. 30	99,944	13,994	9,594	2,323	20,384	3,740	25,255	175,234	153,412	49,254	101,818	11,459	10,364
	Oct. 31	99,903	14,079	9,765	2,394	20,302	3,727	25,523	175,693	154,066	48,238	103,737	11,513	10,114
	Nov. 30	99,879	13,893	9,508	2,271	20,268	3,713	25,727	175,258	153,809	48,456	103,331	11,434	10,015
	Dec. 31	100,015	13,874	9,861	2,274	20,186	3,614	25,788	175,612	154,913	49,409	103,425	10,730	9,969
1982	**Jan. 31 (Est.)**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	154,763	n.a.	n.a.	n.a.	n.a.
% of Total Assets Dec. 31, 1981		57.0	7.9	5.6	1.3	11.5	2.1	14.7	100.0	88.2	28.1	58.9	6.1	5.7
Change during month		—77	—72	353	2	—81	—99	39	66	905	902	—53	—793	—45

Note: Balance sheet data beginning with April 30, 1979 are not strictly comparable with prior months. This largely reflects: (1) changes in FDIC reporting procedures; and (2) reclassification of certain items.

n.a.—not available. Est.—estimated. Source: NAMSB.

* — Total deposit figures include checking, school, club and certain other accounts not shown separately.

Note: GNMA figures refer to all types of mortgage-backed securities guaranteed by the Government National Mortgage Association.

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April, 1982

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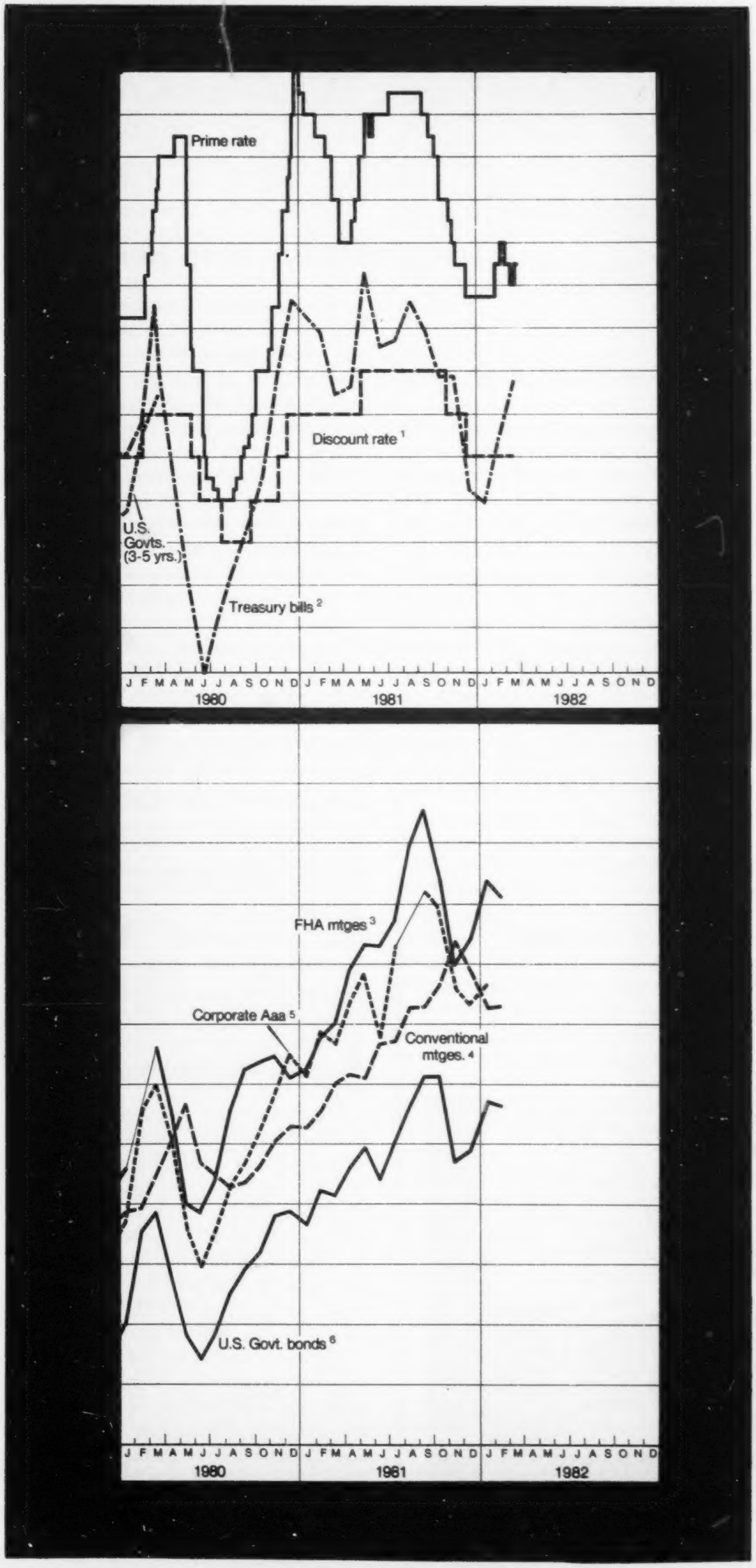


Sees Thrifts in Savings Role

One result of the "present upheaval" being experienced by the thrift industry will be that surviving thrifts will recapture their original "savings mission," Austin 'S. Murphy, chairman and president of New York City's East River Savings Bank, predicted at a recent Conference Board meeting.

"Thrifts will service savers, not borrowers, and thrift's investments will reflect the national priority of production and capital enterprise. Certainly, housing will be a significant factor but we must have the investment powers to channel funds into the areas of greatest need and productivity," Murphy said at a panel session on "Reassessing the U.S. Financial System." The panel discussion was part of the program of the Board's 1982 Financial Outlook Conference in New York City on February 24-25.

Murphy said a "serious challenge" for the economy is to reestablish the mechanisms for productive investments. While noting that consumers can't be faulted for trying to obtain the highest yields through short-term investments and MMFs, the savings banker added that "the productivity of such savings is debatable at best."

Discussing the industry's present condition, Murphy, who is also NAMSB's treasurer, called a federal bail-out "not actually necessary." But, he urged FDIC and FSLIC to authorize accounting methods to permit purchase accounting in the reorganization of assets and goodwill in voluntary mergers.

Assisted Mergers—

loan to United States Savings from the FHLB System.

United States Savings lost $14.9 million last year and had a net worth of 1.21% of assets at year-end. The merged Hudson City now has 54 branches.

In a related development, Rudolph F. Novotny, who resigned as United States Savings' president and CEO as a result of the merger, also resigned last month as chairman of the Savings Banks' Association of New Jersey. Replacing him as association chairman is former vice chairman Andrew J. Egner, president and CEO of Orange Savings Bank, Livingston, N.J.

Mortgaging trends

Rates mixed. The average effective interest rate on mortgages for new homes increased slightly to 15.29% in February from January's revised 15.25%, while the average effective interest rate on loans for existing homes dropped to 15.78% from the previous month's 15.92%, the FHLB Board reported last month.

For new homes, the average term-to-maturity was 28.6 years in February, up from January's revised 27.4 years, and the average purchase price was $96,600, a decrease from January's revised $102,000.

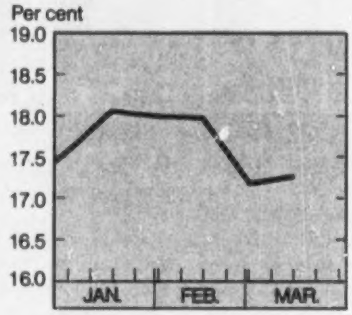
And, for existing homes, the average term-to-maturity held steady at 25.3 years between January and February, while the average purchase price rose to $71,700 in February, from January's revised $70,000.

Starts up. Housing starts rose 6.5% between January and February to a seasonally adjusted annual rate of 953,000, the Commerce Department said last month. The rise was entirely in the multifamily sector, because the rate of single-family starts dropped 10.9% in February.

Single-family starts declined to an annual rate of 533,000 in February, from 598,000 in January. During the same period, total multifamily starts rose to an annual rate of 420,000, from 297,000.

The Commerce Department also reported that total building permits rose in February to an 838,000 annual rate from 832,000 in January. Again, the single-family sector showed a decline, with building permits for homes falling to 450,000 from 462,000, while permits for multifamily unit construction rose to 388,000 from 370,000.

FNMA Commitment Yields



Note: Data are average yields on mortgage commitment bids accepted by the Federal National Mortgage Association at its biweekly auctions. Data are for 120-day bids. Yields are gross of ⅜% servicing fee. Figures assume 30-year mortgages with an assumed prepayment period of 12 years.

"Blended rate" loans pay off. Having done it successfully for almost a year now, a Massachusetts savings bank will continue to make mortgage loans only if it holds the existing mortgage on the property. The new loan has a three-year adjustable rate provision and is written at a "blended rate."

The Worcester North Savings Bank, Fitchburg, started its program in June 1981 to stimulate the turnover of old, fixed-rate loans. As well, the $125.5 million-assets bank wanted to remain a local lender, but did not have the deposit flows to support new mortgages.

Donald G. Hicks Jr., the bank's executive vice president and treasurer, says the program has met the bank's objective: "To raise our rate of return on our mortgage portfolio and, as a result, to be a survivor."

Through the end of January, the bank originated 97 blended-rate ARMs totaling $3.2 million. Of that, $2.3 million represented the remaining balances on existing mortgages. The bottom line, Hicks says, is that the bank increased its rate of return 4.9% on the $2.3 million to an average 14.25% rate.

Under its blended-rate program, the bank calculates a new rate based on 12% or a higher existing rate on the remaining mortgage balance, "blended" with the current market rate on the funds in excess of the old mortgage balance. All loans carry a minimum 13% blended rate.

"We found that if it were not for the blended rate, 18% of these buyers would not have qualified," Hicks told **SBJ** recently. Of the 97 blended-rate loans originated, about 80 of them were for sales and the remainder were refinancing.

Meanwhile, once demand picks up, the bank plans to offer both a three-year and one-year ARM whether or not the bank holds the existing mortgage. Hicks said deposit flows have not changed to support these loan originations, but what has changed is that the bank for the first time will sell loans in the secondary market. Late last year, Worcester North became an approved seller/servicer for the Federal Home Loan Mortgage Corp.

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savings bank statistics

Prepared by NAMSB's Research Department
Jack Rubinson, Director

DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS

(Amounts in millions of dollars, accounts in thousands)

Period	Amounts Deposited	With-drawals	Net change in deposits			Number of accounts	
			Excluding interest	Including interest		Total	Net Change
				Amt.	%		
Annually							
1979	122,026	128,987	—6,962	2,659	1.88	31,250	685
1980	162,537	167,400	—4,863	6,851	4.76	32,462	1,212
Monthly							
1981—Feb.	10,675	11,061	—385	296	.20	n.a.	n.a.
Mar.	13,354	14,111	—757	1,224	.81	n.a.	n.a.
Apr.	15,440	17,465	—2,025	—1,234	—.81	n.a.	n.a.
May	13,164	13,839	—676	148	.10	n.a.	n.a.
June	12,916	14,303	—1,387	542	.36	32,015	n.a.
July	15,058	16,993	—1,935	—1,133	—.74	n.a.	n.a.
Aug.	14,334	15,876	—1,542	—672	—.44	n.a.	n.a.
Sept.	14,117	15,797	—1,679	319	.21	n.a.	n.a.
Oct.	19,202	19,268	—65	789	.05	n.a.	n.a.
Nov.	13,031	14,091	—1,060	—188	—.12	n.a.	n.a.
Dec.	12,680	13,963	—1,283	849	.56	n.a.	n.a.
1982—Jan.	13,974	15,038	—1,064	—225	—.15	n.a.	n.a.
Feb. (Est.)	n.a.	n.a.	—285	540	.35	n.a.	n.a.

n.a.—not available. Est.—estimated. Source: NAMSB.

Note: Annual and monthly data for net change in deposits including interest and net change in number of accounts have been adjusted, where necessary, to exclude the effects of conversions and consolidations of savings banks and other types of institutions. Components may not add to totals due to rounding.

NET CHANGE IN SAVINGS BANK DEPOSITS, INCLUDING INTEREST, BY TYPE OF ACCOUNT

(Amounts in millions of dollars)

	TOTAL	Market Linked			Fixed Rate		
		Total	6-mo. CDs	30-mo. CDs	Total	Ordinary Savings	Time
1980—Dec.	1,255	4,717	4,167	549	—3,461	—2,309	—1,153
1981—Jan.	—365	2,483	1,858	625	—2,847	—1,234	—1,613
Feb.	296	1,700	1,341	359	—1,405	—702	—703
Mar.	1,224	930	401	528	294	985	—691
Apr.	—1,234	397	—113	510	—1,631	—733	—898
May	148	1,941	1,841	101	—1,793	—1,147	—646
June	542	789	456	332	—247	280	—527
July	—1,133	1,085	873	212	—2,218	—950	—1,267
Aug.	—672	2,371	992	1,379	—3,043	—1,600	—1,444
Sept.	319	1,372	—495	1,867	—1,052	251	—1,303
Oct.	789	2,882*	—2,602	1,524	—2,094	—1,053	—1,041
Nov.	—188	842*	—984	1,012	—1,030	218	—1,248
Dec.	849	743*	—430	892	106	902	—796
1982—Jan.	—225	1,400*	56	1,012	—1,625	—546	—1,079
MEMORANDA:							
Outstanding Deposits							
Jan. 31, 1981	151,051	65,464	52,408	13,056	85,587	52,737	32,850
Jan. 31, 1982	152,609	81,914*	53,774	22,783	70,696	48,864	21,832
Percent Distribution of Outstanding Deposits							
Jan. 31, 1981	100.0	43.3	34.7	8.6	56.7	34.9	21.8
Jan. 31, 1982	100.0	53.7*	35.2	14.9	46.3	32.0	14.3

*—Includes All Savers Certificates not shown separately. Source: NAMSB.

DEPOSIT OUTFLOWS at savings banks diminished somewhat in February and early March, due to increased purchases of six-month CDs, additional growth in IRA contributions and favorable seasonal influences. In February, the industry experienced a net savings and time deposit loss of $285 million, excluding interest credited. This compared with the $1.1 billion outflow recorded in January and the year-earlier loss of $385 million.

The improvement in industry deposit activity continued in early March, according to preliminary evidence. Many savings banks reported little deposit change during this period—a far cry from the heavy losses sustained in the corresponding 1981 and 1980 periods.

The modest pick-up in savings bank deposit trends does not necessarily signal a major recovery. Strong competition from money market funds and commercial banks, as well as the adverse publicity surrounding saving bank earnings and capital problems in some areas, can be expected to remain dampening influences in coming months.

On another front, earnings prospects for savings banks darkened in the wake of the March 22 actions adopted by the DIDC. These included authorizations of a new 91-day deposit instrument and the elimination of ceiling rates on time accounts with an original maturity of

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- **Deposit Activity.**
- **Assets and Liabilities.**

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Annual

- **Assets and Liabilities (by states—August SBJ)**
- **Income and Expenses (by states, October SBJ).**

three-and-one-half years and over. The short-term instrument, which will be linked to 91-day Treasury bill rates, carries a $7,500 minimum denomination, and generally provides thrifts with a ¼ percentage point differential over commercial banks for one year, is likely to increase deposit expenses at savings banks without significantly strengthening deposit flows. Internal transfers from 5.5% savings accounts constitute a particularly serious danger in this regard—about three-fifths of the dollar amount held in passbook accounts at savings banks is in accounts with $7,500 or more.

As far as the three-and-one-half year "wildcard" account is concerned, the commercial bank appetite for such funds is a critical consideration. These institutions are clearly in a better position to compete for wildcard funds because of their stronger earnings positions. **(END)**

DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS,[1] BY STATES

(Amounts in thousands of dollars)

State	January 31, 1982					January 31, 1981				
	Amounts Deposited[2]	Withdrawals	Net Change in Deposits			Amounts Deposited[2]	Withdrawals	Net Change in Deposits		
			Excluding Interest	Incl. Interest				Excluding Interest	Incl. Interest	
				Amt.	%				Amt.	%
Connecticut	1,156,535	1,204,727	—48,192	72,277	.51	1,037,746	1,103,781	—66,035	27,352	.20
Maine	253,156	260,499	—7,343	13,259	.51	252,513	262,444	—9,931	6,785	.27
Maryland	128,328	128,447	—119	22,213	1.28	122,340	151,333	—28,993	—13,376	—.81
Massachusetts	1,978,610	2,143,983	—165,373	24,598	.11	2,129,843	2,283,950	—154,107	—8,006	—.04
New Hampshire	258,586	273,845	—15,259	5,429	.21	246,112	262,438	—16,326	686	.03
New Jersey	552,313	577,330	—25,017	59,771	.65	884,692	870,894	13,798	80,460	.93
New York—City	4,750,546	5,351,152	—600,606	—435,380	—.81	4,482,899	4,973,747	—490,858	—379,383	—.68
—Upstate	2,735,338	2,886,889	—151,551	—83,836	—.33	2,059,058	2,167,606	108,548	—58,137	—.25
Pennsylvania	1,230,740	1,228,770	1,970	92,522	.71	1,535,624	1,590,421	—54,797	21,485	.17
Rhode Island	134,611	135,091	—480	10,410	.59	128,139	138,273	—10,134	—4,079	—.24
Vermont	118,881	123,565	—4,684	1,078	.12	94,180	96,353	—2,173	2,155	.26
Washington	442,591	462,900	—20,309	—10,934	—.28	463,453	489,778	—26,325	—21,934	—.54
Wisconsin	5,532	5,398	134	342	.40	5,334	5,367	—33	5	.01
All other states	227,927	255,580	—27,653	3,126	.12	291,962	316,153	—24,191	—19,134	—.71
Total	13,973,694	15,038,176	—1,064,482	—225,125	—.15	13,733,885	14,712,538	—978,653	—365,121	—.24

Note: See notes to "Assets and Liabilities of All Mutual Savings Banks."

[1] Excludes special purpose accounts such as checking, Christmas, vacation and school. [2] Excludes interest credited.

Source: NAMSB.

ASSETS AND LIABILITIES OF ALL MUTUAL SAVINGS BANKS

(Amounts in millions of dollars)

Date		Mortgages	GNMAs	Investments				Other assets	Total assets-Total liabilities & gen. res. accts.	Deposits			Other liabilities	General reserve accounts
				U.S. Govt. & Federal agencies	State & local Govt.	Corporate bonds	Corporate stocks			Total*	Savings	Time		
1976	**Dec. 31**	81,630	5,808	9,109	2,417	20,335	4,381	11,131	134,812	122,877	74,535	47,426	2,884	9,052
1977	**Dec. 31**	88,195	8,331	9,233	2,828	21,498	4,751	12,450	147,287	134,017	78,005	54,739	3,292	9,978
1978	**Dec. 31**	95,157	10,021	8,297	3,333	21,566	4,807	14,991	158,174	142,701	71,816	69,354	4,565	10,907
1979	**Dec. 31**	98,908	11,820	7,658	2,930	20,507	4,760	16,821	163,405	146,006	61,123	82,947	5,873	11,525
1980	**Dec. 31**	99,865	13,849	8,949	2,390	21,209	4,224	21,078	171,564	153,501	53,971	97,445	6,694	11,368
1981	**Feb. 28**	99,739	13,955	9,032	2,376	21,159	4,109	21,979	172,349	153,332	52,035	99,311	7,753	11,264
	Mar. 31	99,719	13,997	9,203	2,359	21,150	4,089	22,717	173,232	154,805	53,049	99,581	7,265	11,163
	Apr. 30	99,798	13,944	9,262	2,314	21,259	4,044	22,216	172,837	153,692	52,331	99,098	8,103	11,042
	May 31	99,790	13,952	9,296	2,328	21,202	3,957	23,252	173,776	153,891	51,212	100,447	8,962	10,923
	June 30	100,003	13,978	9,227	2,331	20,531	3,849	24,398	174,315	154,876	51,544	100,983	8,608	10,831
	July 31	100,095	13,974	9,361	2,291	20,589	3,811	24,457	174,578	153,757	50,593	100,800	10,156	10,665
	Aug. 31	99,987	13,965	9,369	2,326	20,446	3,770	24,899	174,761	153,120	49,003	101,750	11,124	10,516
	Sept. 30	99,944	13,994	9,594	2,323	20,384	3,740	25,255	175,234	153,412	49,254	101,818	11,459	10,364
	Oct. 31	99,903	14,079	9,765	2,394	20,302	3,727	25,523	175,693	154,066	48,238	103,737	11,513	10,114
	Nov. 30	99,879	13,893	9,508	2,271	20,268	3,713	25,727	175,258	153,809	48,456	103,331	11,434	10,015
	Dec. 31	100,015	13,874	9,861	2,274	20,186	3,614	25,788	175,612	154,913	49,409	103,425	10,730	9,969
1982	**Jan. 31**	99,770	13,902	10,060	2,275	20,222	3,597	25,977	175,802	154,638	48,864	103,746	11,370	9,794
	Feb. 28 (Est.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	154,338	n.a.	n.a.	n.a.	n.a.
% of Total Assets														
Jan. 31, 1982		56.8	7.9	5.7	1.3	11.5	2.0	14.8	100.0	88.0	27.8	59.0	6.4	5.6
Change during month		—245	28	199	2	35	—17	189	190	—275	—546	320	639	—175

Note: Balance sheet data beginning with April 30, 1979 are not strictly comparable with prior months. This largely reflects: (1) changes in FDIC reporting procedures; and (2) reclassification of certain items.

n.a.—not available. Est.—estimated. Source: NAMSB.

* — Total deposit figures include checking, school, club and certain other accounts not shown separately.

Note: GNMA figures refer to all types of mortgage-backed securities guaranteed by the Government National Mortgage Association.

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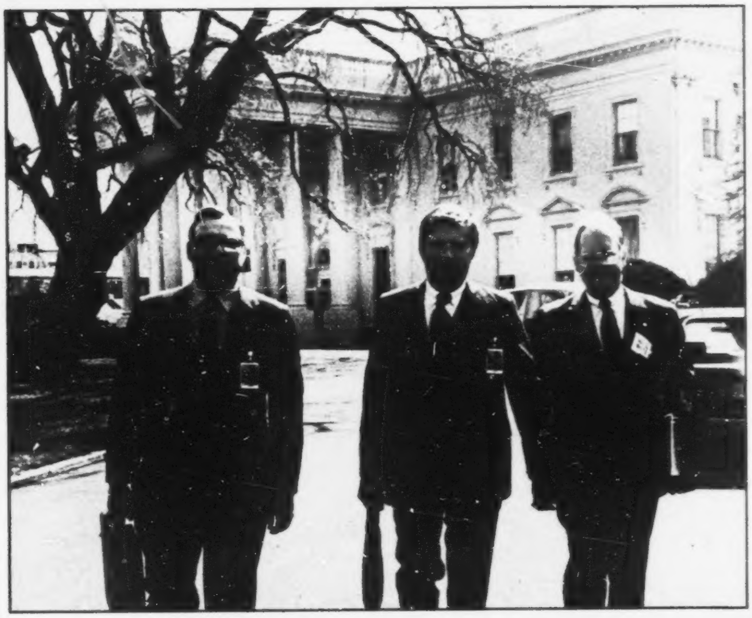
Savings Bank Journal

May 1982
Official publication of the National Association of Mutual Savings Banks

At the White House



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Vol. 63 No. 3 May, 1982

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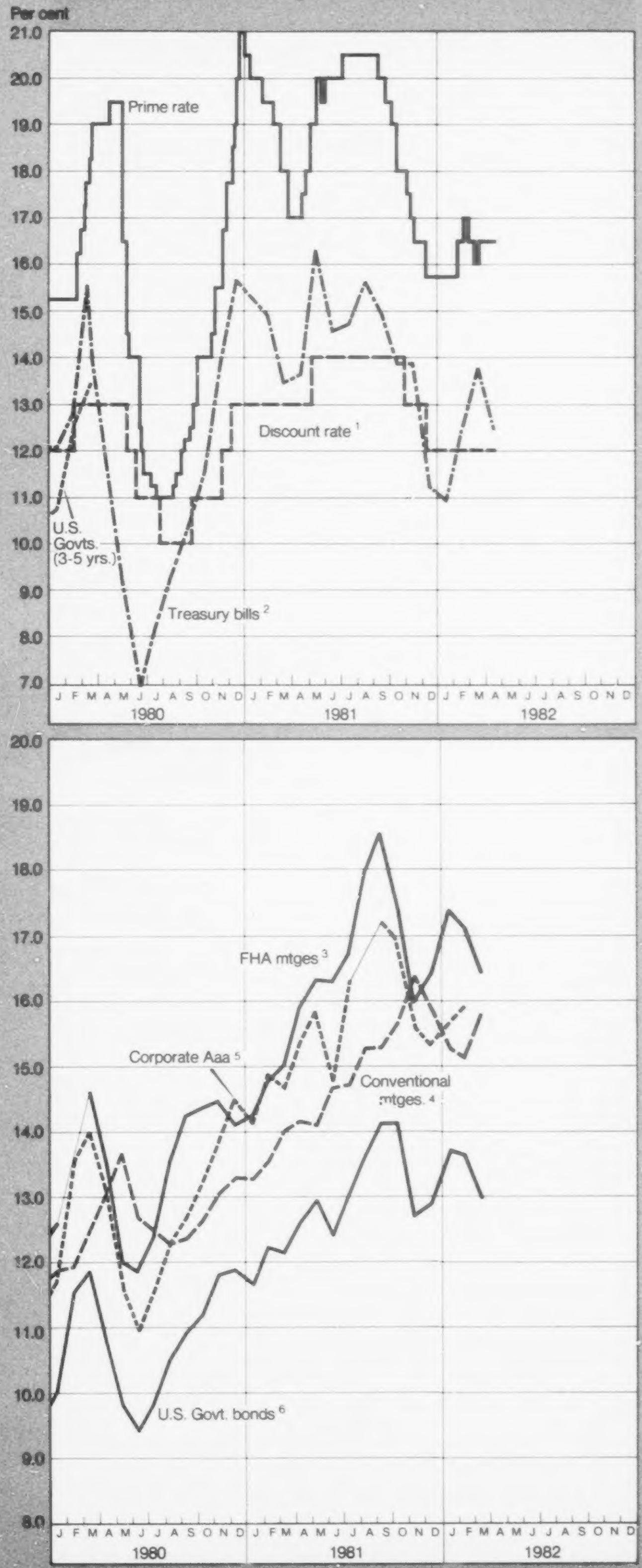
SBJ Money and Capital Market Yield Trends



¹ Federal Reserve Bank of New York. ² Three months, new issue rate. ³ Average secondary market yield on new construction; sec. 203, 30-year maturity, 15-year pre-payment and minimum down-payment. ⁴ Effective rate for purchase of new single-family homes. ⁵ New issue: ⁶ Maturing or callable in 10 years or more. ⁷ Standard & Poor's 500 stocks dividend-yield ratio.

Mortgaging trends

Rates mixed. The average effective interest rate on mortgages for new homes rose to 15.83% in March from February's 15.12%, while the average effective rate on loans for existing homes fell to 15.67% in March from 15.73%, the FHLB Board reported last month.

For new homes, the average term-to-maturity was 27.2 years in March, down from February's 28.1 years, and the average purchase price was $93,200, compared with $97,300 in February.

For existing homes, the average term-to-maturity was 25.7 years in March, compared with 25.5 years in February and the average purchase price was $70,400, down from February's $72,700.

Starts rise. Housing starts increased to a seasonally adjusted annual rate of 947,000 in March, from 924,000 in

news of equipment, services

Desk-Top Copiers

Two new desk-top copiers, designed for customers with mid-volume copying needs, have been introduced by Canon U.S.A., Inc.

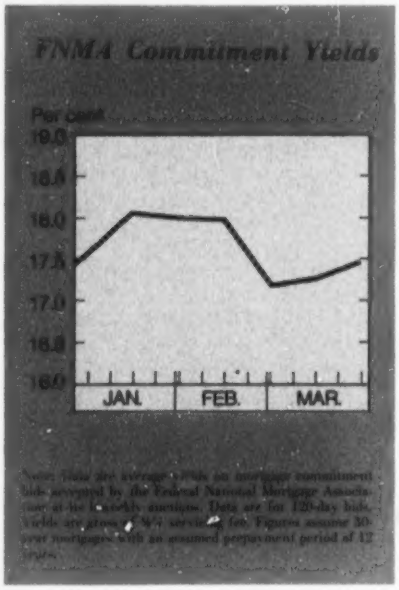
Called the NP-300 and the NP-300F, the copiers deliver 30 letter-size copies per minute on any kind of paper and have a 64% reduction mode that reduces oversize originals to letter size for easy handling, filing and mailing.

A choice of two optional sorters is offered with the NP-300 Series: A Mini-Sorter that can sort up to 10 sets of copies into separate bins and is available now; and a larger capacity sorter, with 15 bins and a capability of collating up to 30 sheets per copy set.

Copying on both sides of paper, as well as on labels and transparencies is possible with NP-300 models with the addition of a manual feed tray that permits use of a single-sheet bypass.

Retail price of the Canon NP-300F is about $6,695, and the NP-300 is priced at $5,695. For further information on these copiers, contact:

Canon U.S.A., Inc., SBJ-501, One Canon Plaza, Lake Success, N.Y. 11042.



Note: Data are average yields on mortgage commitment bids accepted by the Federal National Mortgage Association at its biweekly auctions. Data are for 120-day bids. Yields are gross of 3/8% servicing fee. Figures assume 30-year mortgages with an assumed prepayment period of 12 years.

February, the Commerce Department reported last month.

In the single-family sector, starts rose to an annual rate of 606,000 in March, compared with 559,000 in February. During the same period, total multifamily starts declined, to an annual rate of 341,000 in March from 365,000.

The Commerce Department also said building permits for single- and multi-family construction increased in March to a total 870,000 annual rate, from 795,000 reported during the previous month.

The number of permits issued on single-family homes rose to a 468,000 annual rate in March, from 433,000. The number of permits issued on total multi-family construction increased to a 402,000 annual rate from 362,000 in February.

calendar / meetings schools

namsb

May 16-19	62nd Annual Conference	Atlanta, Ga.
Sept. 19-21	National Mortgage Conference	Washington, D.C.

state associations

June 11	Massachusetts Annual Meeting	Framingham, Mass.
June 11-12	New Jersey Annual Convention	Atlantic City, N.J.
June 17-20	Vermont Annual Meeting	Portsmouth, N.H.
Sept. 15-17	New York Annual Convention	Washington, D.C.
Sept. 30	Maine Annual Convention	Augusta, Me.
Sept. 22-26	Massachusetts Annual Convention	Hot Springs, Va.
Oct. 11-14	Connecticut Annual Convention	Bretton Woods, N.H.
Oct. 19-21	New Hampshire Annual Convention	Bretton Woods, N.H.

other meetings

Oct. 10-13	MBA Annual Convention	New York City

namsb schools

May 2-5	Secondary Mortgage Markets	Financial Studies Center
May 9-13	Financial Statement and Credit Analysis II	Financial Studies Center
May 13	Mutual-To-Stock Conversion: Planning and Policy Issues	Portsmouth, N.H.
May 10-14	Auditing 1 (Basic Auditing)	Financial Studies Center
May 23-June 4	National School of Savings Banking Class of 1982	Financial Studies Center
June 27-July 9	National School of Savings Banking Class of 1983	Financial Studies Center
Aug. 1-13	National School of Savings Banking Class of 1984	Financial Studies Center
July 18-30	Executive Development Program	Financial Studies Center

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savings bank statistics

Prepared by NAMSB's Research Department
Jack Rubinson, Director

DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS

(Amounts in millions of dollars, accounts in thousands)

Period	Amounts Deposited	Withdrawals	Net change in deposits			Number of accounts	
			Excluding Interest	Including Interest		Total	Net Change
				Amt.	%		
Annually							
1979	122,026	128,987	—6,962	2,659	1.88	31,250	685
1980	162,537	167,400	—4,863	6,851	4.76	32,462	1,212
Monthly							
1981—Mar.	13,354	14,111	—757	1,224	.81	n.a.	n.a.
Apr.	15,440	17,465	—2,025	—1,234	—.81	n.a.	n.a.
May	13,164	13,839	—676	148	.10	n.a.	n.a.
June	12,916	14,303	—1,387	542	.36	32,015	n.a.
July	15,058	16,993	—1,935	—1,133	—.74	n.a.	n.a.
Aug.	14,334	15,876	—1,542	—672	—.44	n.a.	n.a.
Sept.	14,117	15,797	—1,679	319	.21	n.a.	n.a.
Oct.	19,202	19,268	—65	789	.05	n.a.	n.a.
Nov.	13,031	14,091	—1,060	—188	—.12	n.a.	n.a.
Dec.	12,680	13,963	—1,283	849	.56	n.a.	n.a.
1982—Jan.	13,974	15,038	—1,064	—225	—.15	n.a.	n.a.
Feb.	11,759	11,992	—233	603	.40	n.a.	n.a.
Mar. (Est.)	n.a.	n.a.	—775	1,375	.90	n.a.	n.a.

n.a.—not available. Est.—estimated. Source: NAMSB.

Note: Annual and monthly data for net change in deposits including interest and net change in number of accounts have been adjusted, where necessary, to exclude the effects of conversions and consolidations of savings banks and other types of institutions. Components may not add to totals due to rounding.

NET CHANGE IN SAVINGS BANK DEPOSITS, INCLUDING INTEREST, BY TYPE OF ACCOUNT

(Amounts in millions of dollars)

	TOTAL	Market Linked			Fixed Rate		
		Total	6-mo. CDs	30-mo. CDs	Total	Ordinary Savings	Time
1980—Dec.	1,255	4,717	4,167	549	—3,461	—2,309	—1,153
1981—Feb.	296	1,700	1,341	359	—1,405	—702	—703
Mar.	1,224	930	401	528	294	985	—691
Apr.	—1,234	397	—113	510	—1,631	—733	—898
May	148	1,941	1,841	101	—1,793	—1,147	—646
June	542	789	456	332	—247	280	—527
July	—1,133	1,085	873	212	—2,218	—950	—1,267
Aug.	—672	2,371	992	1,379	—3,043	—1,600	—1,444
Sept.	319	1,372	—495	1,867	—1,052	251	—1,303
Oct.	789	2,882*	—2,602	1,524	—2,094	—1,053	—1,041
Nov.	—188	842*	—984	1,012	—1,030	218	—1,248
Dec.	849	743*	—430	892	106	902	—796
1982—Jan.	—225	1,400*	56	1,012	—1,625	—546	—1,079
Feb.	603	1,515*	552	737	—912	—370	—542
MEMORANDA:							
Outstanding Deposits							
Feb. 28, 1981	151,346	67,164	53,749	13,415	84,182	52,035	32,147
Feb. 28, 1982	152,449	83,063*	54,095	23,369	69,385	48,279	21,106
Percent Distribution of Outstanding Deposits							
Feb. 28, 1981	100.0	44.4	35.5	8.9	55.6	34.4	21.2
Feb. 28, 1982	100.0	54.5*	35.5	15.3	45.5	31.7	13.8

*—Includes All Savers Certificates not shown separately. Source: NAMSB.

SAVINGS AND TIME deposit trends worsened in March and early April. Last month, the industry sustained a deposit outflow of $775 million, excluding interest, up sharply from the $233 million loss in February and slightly greater than the previous record March loss of $757 million recorded in 1981. Including interest credited, savings bank deposits rose by $1.4 billion in March.

Preliminary indications from a few major areas suggest that savings banks continued to sustain substantial deposit losses in the first half of April. Many institutions experienced record or near-record outflows for the period.

The latest deterioration in deposit flows partly reflected seasonal pressures arising from the end-of-March interest-crediting period and the increase in withdrawals occurring prior to the mid-April tax deadline. Savings bank deposit activity has also been depressed by extremely heavy losses at a handful of banks subject to extensive publicity concerning their earnings and net worth problems.

Among major types of accounts, net purchases of six-month money market certificates virtually dried up in March, after amounting to $552 million in February. The slowdown in MMC flows may have been partly due to decisions by

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Monthly

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- **Deposit Activity.**
- **Assets and Liabilities.**

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- **Income and Expenses (by states, October SBJ).**

some holders of maturing issues to hold their funds for later investment in the new 91-day market-linked account. Depository institutions began offering the new instrument on May 1.

On the other hand, savings banks attracted an increased volume of funds into Individual Retirement Accounts during March. At $300 million, additions to IRA balances topped the $200 million gain in February. This brought the total increase in IRAs to $800 million in the first quarter of 1982, about equaling the entire July-December 1982 expansion. Sixty percent of the January-March 1982 gain was accounted for by the new 1½-year IRA accounts. **(END)**

DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS,[1] BY STATES

(Amounts in thousands of dollars)

State	February 28, 1982					February 28, 1982				
	Amounts Deposited[2]	With-drawals	Net Change in Deposits			Amounts Deposited[2]	With-drawals	Net Change in Deposits		
			Excluding Interest	Incl. Interest				Excluding Interest	Incl. Interest	
				Amt.	%				Amt.	%
Connecticut	1,170,069	1,110,417	59,652	176,132	1.24	924,912	935,809	—10,897	84,804	.62
Maine	239,835	241,909	—2,074	17,234	.66	217,162	223,600	—6,438	10,260	.41
Maryland	118,027	118,139	—112	12,160	.69	118,159	101,185	16,974	31,598	1.94
Massachusetts	1,925,352	1,973,356	—48,004	109,401	.51	1,852,751	1,923,310	—70,559	70,951	.33
New Hampshire	253,674	251,410	2,264	22,497	.88	237,694	239,456	—1,762	16,524	.66
New Jersey	575,174	596,585	—21,411	47,905	.52	697,123	698,150	—1,027	64,815	.74
New York—City	3,390,911	3,563,248	—172,337	70	*	3,245,853	3,413,762	—167,909	—44,875	—.08
—Upstate	2,146,674	2,179,391	—32,717	120,227	.47	1,538,030	1,575,989	—37,959	78,161	.34
Pennsylvania	1,185,057	1,170,173	14,884	103,031	.78	1,066,712	1,145,393	—78,681	—13,682	—.11
Rhode Island	125,619	137,012	—11,393	—1,741	—.10	107,563	109,080	—1,517	5,431	.32
Vermont	98,348	98,109	239	5,983	.68	63,751	68,867	—5,116	—24	*
Washington	386,884	412,670	—25,786	—15,227	—.40	368,166	383,946	—15,780	—11,004	—.27
Wisconsin	6,119	4,837	1,282	1,435	1.67	4,303	4,014	289	506	.62
All other states	137,337	135,150	2,187	4,138	.23	232,987	238,006	—5,019	2,097	.08
Total	11,759,080	11,992,406	—233,326	603,245	.40	10,675,166	11,060,567	—385,401	295,562	.20

Note: See notes to "Assets and Liabilities of All Mutual Savings Banks."

[1] Excludes special purpose accounts such as checking, Christmas, vacation and school. [2] Excludes interest credited.

Source: NAMSB.

ASSETS AND LIABILITIES OF ALL MUTUAL SAVINGS BANKS

(Amounts in millions of dollars)

Date		Mortgages	GNMAs	Investments				Other assets	Total assets-Total liabilities & gen. res. accts.	Deposits			Other liabil-ities	General reserve accounts
				U.S. Govt. & Federal agencies	State & local Govt.	Corpo-rate bonds	Corpo-rate stocks			Total*	Savings	Time		
1976	**Dec. 31**	81,630	5,808	9,109	2,417	20,335	4,381	11,131	134,812	122,877	74,535	47,426	2,884	9,052
1977	**Dec. 31**	88,195	8,331	9,233	2,828	21,498	4,751	12,450	147,287	134,017	78,005	54,739	3,292	9,978
1978	**Dec. 31**	95,157	10,021	8,297	3,333	21,566	4,807	14,991	158,174	142,701	71,816	69,354	4,565	10,907
1979	**Dec. 31**	98,908	11,820	7,658	2,930	20,507	4,760	16,821	163,405	146,006	61,123	82,947	5,873	11,525
1980	**Dec. 31**	99,865	13,849	8,949	2,390	21,209	4,224	21,078	171,564	153,501	53,971	97,445	6,694	11,368
1981	**Mar. 31**	99,719	13,997	9,203	2,359	21,150	4,089	22,717	173,232	154,805	53,049	99,581	7,265	11,163
	Apr. 30	99,798	13,944	9,262	2,314	21,259	4,044	22,216	172,837	153,692	52,331	99,098	8,103	11,042
	May 31	99,790	13,952	9,296	2,328	21,202	3,957	23,252	173,776	153,891	51,212	100,447	8,962	10,923
	June 30	100,003	13,978	9,227	2,331	20,531	3,849	24,398	174,315	154,876	51,544	100,983	8,608	10,831
	July 31	100,095	13,974	9,361	2,291	20,589	3,811	24,457	174,578	153,757	50,593	100,800	10,156	10,665
	Aug. 31	99,987	13,965	9,369	2,326	20,446	3,770	24,899	174,761	153,120	49,003	101,750	11,124	10,516
	Sept. 30	99,944	13,994	9,594	2,323	20,384	3,740	25,255	175,234	153,412	49,254	101,818	11,459	10,364
	Oct. 31	99,903	14,079	9,765	2,394	20,302	3,727	25,523	175,693	154,066	48,238	103,737	11,513	10,114
	Nov. 30	99,879	13,893	9,508	2,271	20,268	3,713	25,727	175,258	153,809	48,456	103,331	11,434	10,015
	Dec. 31	100,015	13,874	9,861	2,274	20,186	3,614	25,788	175,612	154,913	49,409	103,425	10,730	9,969
1982	**Jan. 31**	99,770	13,902	10,060	2,275	20,222	3,597	25,977	175,802	154,638	48,864	103,746	11,370	9,794
	Feb. 28	98,799	13,990	9,974	2,280	20,154	3,551	26,876	175,624	154,436	48,279	104,170	11,536	9,652
	Mar. 31 (Est.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	155,911	n.a.	n.a.	n.a.	n.a.
% of Total Assets Feb. 28, 1982		56.3	8.0	5.7	1.3	11.5	2.0	15.3	100.0	87.9	27.5	59.3	6.6	5.5
Change during month		—257	124	—33	5	—10	—14	946	761	569	—370	974	285	—93

Note: Balance sheet data beginning with April 30, 1979 are not strictly comparable with prior months. This largely reflects: (1) changes in FDIC reporting procedures; and (2) reclassification of certain items.

n.a.—not available. Est.—estimated. Source: NAMSB.

* — Total deposit figures include checking, school, club and certain other accounts not shown separately.

Note: GNMA figures refer to all types of mortgage-backed securities guaranteed by the Government National Mortgage Association.

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>
> **Herbert W. Gray**
> **NAMSB Annual Conference**
> **May 19, 1982, Atlanta, Ga.**

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—a profile—

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June, 1982

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INDUSTRY MORTGAGE SURVEY

OUTLOOK POOR AS HOLDINGS DECLINE

SAVINGS BANKS in 1981 were compelled to curtail their mortgage financing in the face of record deposit and earnings losses and generally depressed housing markets. Industry holdings of mortgage investments declined for the first time since NAMSB's annual survey of savings bank mortgage lending was launched in 1947. Prospects for 1982 continue bleak as cash flows from new deposit funds and turnover of existing portfolios continued depressed early in the year. The major findings of the survey include the following:

- Gross mortgage acquisitions dropped from $9.1 billion in 1980 to $7.2 billion in 1981 (Table 1);
- Mortgage repayments—a major source of new mortgage funds—fell from $8.7 billion to $7.8 billion over the same period;
- As in previous years, residential loans remained the dominant mortgage investment outlet of savings banks. Gross acquisitions of single and multifamily loans amounted to $6 billion last year.
- The 1980–81 slackening in savings bank mortgage lending was geographically pervasive although most areas showed relatively small changes in outstanding portfolios.

Table 1: Mortgage Loan Portfolio Activity of Mutual Savings Banks

(in millions of dollars)

Year	Loans held at beginning of year	Activity during year: Loans acquired	Activity during year: Repayments	Activity during year: Net gain	Loans held at end of year
		Total Mortgage Loans			
1975	74,891	9,396	7,067	2,329	77,221
1976	77,221	11,912	7,814	4,097	81,630
1977	81,630	16,527	10,054	6,473	88,195
1978	88,195	16,928	10,601	6,327	95,157
1979	95,157	14,255	9,992	4,263	99,675
1980 r	99,675	9,109	8,707	401	100,492
1981	100,492	7,175	7,849	−674	100,619
		Federally Insured Loans			
1975	27,566	1,813	2,251	−439	27,127
1976	27,127	2,254	2,840	−585	26,550
1977	26,550	2,437	2,867	−429	26,120
1978	26,120	2,595	2,750	−154	26,027
1979	26,027	1,966	2,764	−799	25,205
1980 r	25,206	1,048	2,207	−1,159	24,149
1981	24,149	614	1,532	−918	23,230
		Conventional Residential Loans			
1975	33,895	5,780	3,708	2,072	35,967
1976	35,967	7,599	3,807	3,792	40,035
1977	40,035	11,791	5,569	6,222	46,353
1978	46,353	12,260	6,277	5,983	52,855
1979	52,855	10,728	5,984	4,744	57,875
1980 r	57,875	6,715	5,424	1,291	59,457
1981	59,457	5,340	3,352	1,988	62,247
		Non-Residential Loans			
1975	13,430	1,804	1,108	696	14,126
1976	14,126	2,058	1,167	890	15,045
1977	15,045	2,299	1,618	681	15,722
1978	15,722	2,073	1,574	499	16,275
1979	16,275	1,562	1,244	318	16,594
1980 r	16,594	1,345	1,076	269	16,886
1981	16,886	1,222	2,966	−1,744	15,142

r—revised.

NOTE: Data on mortgage activity of mutual savings banks used throughout this study are gross of valuation reserves. Net gains have been adjusted: (1) for conversions of different institutions; and (2) to take account of new reporting procedures adopted as of December 31, 1971 regarding industry holdings of GNMA guaranteed mortgage-backed securities. Source: National Association of Mutual Savings Banks.

Deteriorating Deposit and Earnings Trends

Unprecedented deposit outflows and bottom-line losses dominated savings bank investment patterns in 1981 and early 1982. Excluding interest, net savings and time deposit outflows at savings banks soared to a record $13.8 billion in 1981. This was sharply above the $4.9 billion deposit loss experienced in 1980 and nearly double the previous record outflow of $7 billion set in 1979.

At the same time, bottom-line losses surged to $1.4 billion in 1981, the poorest recorded earnings performance turned in by the industry since the Great Depression of the 1930s. The combination of massive disintermediation and severe deterioration in earnings positions generated tremendous pressures on liquidity and surplus positions of many savings banks. As a result, the industry as a whole concentrat-

by Jack Rubinson

ed on strengthening short-term asset holdings and restricted its long-term lending.

Aside from their sharply reduced lending capacity, savings banks also curbed mortgage flows in response to generally depressed housing market conditions. New private housing starts declined by one-sixth to 1.1 million units in 1981 as a whole—the second worst housing year in the post-World War II period. Sales of existing homes—typically the most important source of savings bank mortgage funds—dropped by 18% to 2.4 million units during the same period. In early 1982, moreover, overall housing activity continued extremely low, running well below year-earlier levels.

Against this background, savings banks cut back holdings of all types of long-term investments while building up liquidity positions. In the mortgage area, savings banks reduced holdings of mortgage loans by $722 million and mortgage-backed securities by $113 million. The largest cut, however, occurred for corporate bonds—$1 billion. The industry also pared portfolios of state and municipal obligations by $103 million and corporate stock, by $601 million. By contrast, cash and investments maturing within one year was the only major investment category registering an increase. Such assets increased by $3.8 billion in 1981.

Survey Findings

The National Association's 1981 survey of industry mortgage lending activity revealed the following patterns:

1. Ten of 11 major savings bank states reported declines in gross mortgage flows. In general, savings banks located in areas where disintermediation was most severe experienced the sharpest declines in new mortgage acquisitions. This was particularly evident in New York and Massachusetts—where 20%–25% reductions occurred. Despite the widespread reductions in new mortgage lending, seven states reported increases in outstanding mortgage portfolios as repayments from existing portfolios declined at a more rapid rate.

2. Savings banks continued to emphasize residential loans in their mortgage investment programs. Gross acquisitions of single- and multi-family mortgages accounted for 83% of the industry's total gross mortgage flows. At the end of 1981, residential loans represented 85% of total mortgage portfolios of savings banks.

3. Declines in gross loans acquired were recorded for both federally underwritten and conventional residential mortgage loans. The 41% falloff in FHA-insured and VA-guaranteed loans, however, was double the 20% reduction in conventional residential mortgages. Indeed, the latter type of loan absorbed 90% of total savings bank residential loan volume in 1981.

4. Nonresidential mortgage loans were responsible for the entire cutback in industry mortgage holdings, declining by $1.7 billion. All types of residential loans combined rose by $1.1 billion.

5. The reduction in savings bank net purchases of mortgage-backed securities reversed an uninterrupted trend of annual growth during the 1970–80 period. In early 1982, however, holdings of these mortgage-related investments resumed their advance.

Along with savings banks, each of the major institutional lenders curtailed mortgage investment programs last year. Commercial banks showed an 8% reduction, and savings and loan associations and life insurance companies, 27% and 28% declines, respectively. Nonetheless, lenders continued their traditional patterns of concentrating on specific sectors of the overall mortgage market. Savings banks and savings and loan associations, combined, channeled more than three-fourths of their gross mortgage activity into single- and multi-family loans. Commercial banks and life insurance companies, on the other hand, maintained their greater emphasis on nonresidential loans.

Variations in the relative importance of construction loans was also evident among lenders. Such loans were significantly more important at commercial banks and S&Ls than at savings banks and life insurance companies.

Mortgage Prospects Remain Poor

The ability of savings banks to resume a more active role in mortgage markets depends largely on the future course of interest rates. A measurable, protracted decline in financial market yields would strengthen deposit flows and otherwise increase the industry's supply of investable funds.

So far, however, the near-term outlook for such a development is not promising. The failure of interest rates to drop in the face of the severe recession and slowdown in inflation raises the question of what will happen once the recession ends. This has raised the possibility of a collision between private credit demands and prospective large Treasury borrowing requirements. Moreover, since the slowing inflation rate has partly reflected the impact of the recession, price trends could worsen when the economy begins to recover.

Meanwhile, the Federal Reserve is expected to maintain its tough monetary policy, which will tend to place a high floor under interest rate levels.

Finally, given the unprecedented deposit and earnings pressures sustained by savings banks in recent years, a substantial improvement in industry mortgage lending activity will take time to develop when cash flows for new investments expand. The first order of business for many institutions will be to rebuild sorely depleted liquidity positions. **(END)**

Table 2: Mortgage Loan Portfolio Activity of Mutual Savings Banks, by States, 1981

(in millions of dollars)

State	Loans held at beginning of year	Loans acquired	Repayments	Net gain	Loans held at end of year
New York	50,744 r	2,752	3,794	−1,042	50,506
Massachusetts	14,554	1,248	1,405	−157	14,397
Connecticut	10,548	1,083	740	343	10,899
Pennsylvania	7,094	422	391	31	7,125
New Jersey	5,320	388	461	−73	5,247
Washington	3,511	406	295	111	3,622
Maine	1,843	192	148	44	1,887
New Hampshire	1,824	188	153	35	1,848
Rhode Island	1,215	162	166	−4	1,211
Maryland	1,076	98	69	29	1,105
Vermont	705	77	64	13	718
All other states	2,059	158	164	−6	2,053
Total	100,492 r	7,175	7,849	−674	100,619

r—revised.

Source: National Association of Mutual Savings Banks.

NAMSB RESEARCH REPORT

INDUSTRY'S EQUITY INVESTMENT TRENDS

MUTUAL SAVINGS bank corporate stock portfolios declined for the third consecutive year in 1981. Last year's $601 million reduction, however, was a full 11% greater than the $539 million decline in equities reported for 1980, and established a new yearly record. As a result, savings banks held $3.6 billion in equities at the end of 1981, representing 2% of industry assets.

Recent patterns of attrition result in part from the industry's continuing paramount investment objective of maintaining a strong liquidity position in the face of record and near-record deposit losses and unrelenting increases in deposit costs.

Last year's sales of stock also occurred in what could be termed as an overall depressed stock market. Despite momentary surges early and once again late in the year, stock prices showed an overall pattern of decline for 1981 as a whole. For example, the Dow Jones Industrial Average was off nearly 134 points from 945.96 at the end of 1980 to 812.33 by the end of 1981. Similarly, the Standard and Poor's index of common stocks was down by approximately 17% over the same 12-month period.

The total 1981 decrease in equity investments, unlike recent years, was more uniformly divided between common and preferred stocks. For example, reductions in preferred stock portfolios represented nearly 43% of the total 1981 reduction in equity holdings. By comparison, preferred stock accounted for only 1% of the previous year's decline in corporate stock portfolios.

Table 1: Holdings and Net Acquisitions of Corporate Stock by Mutual Savings Banks, 1977-1981

(in millions of dollars)

	Holdings at end of period			Net acquisitions		
Period	**Total**	**Preferred**	**Common**	**Total**	**Preferred**	**Common**
1977	4,751	1,707	3,043	371	161	210
1978	4,807	1,848	2,958	42	134	−92
1979	4,760	1,823	2,937	−47	−25	−22
1980	4,224	1,817	2,407	−539	−7	−530
1981	3,630	1,562	2,068	−601	−255	−345
1977						
Jan.-June	4,576	1,651	2,925	197	104	92
July-Dec.	4,751	1,707	3,043	175	57	118
1978						
Jan.-June	4,845	1,817	3,028	83	103	−20
July-Dec.	4,807	1,848	2,958	−41	31	−72
1979						
Jan.-June	4,870	1,900	2,971	64	51	13
July-Dec.	4,760	1,823	2,937	−110	−76	−34
1980						
Jan.-June	4,407	1,817	2,590	−356	−6	−347
July-Dec.	4,224	1,817	2,407	−183	*	−183
1981						
Jan.-June	3,849	1,747	2,102	−382	−70	−312
July-Dec.	3,630	1,562	2,068	−218	−185	−33

Note: Data on amounts held refer to book values before deduction of valuation reserves. Net acquisitions refer to changes in amounts held and are adjusted to exclude the effects of conversions of mutual savings banks and other institutions. Components may not add to totals because of rounding.

*Less than $50 million.

Source: National Association of Mutual Savings Banks.

Notwithstanding the substantial runoff of preferred stock which occurred during 1981, at year-end, preferred stock still accounted for 43% of total stock portfolios at savings banks, and common stock the remaining 57%. While still the most important type of holding, holdings of common stock have declined steadily from a high of 72% in 1969.

Regional Differences

The importance of equity holdings among individual savings bank states continued to demonstrate significant regional variation in 1981. Such patterns in turn reflect differences in state laws as well as variations in management policies. The major geographic differences in equity investment patterns included the following:

1. New York State continued to account for the vast bulk of the industry's total equity holdings. At the end of 1981, New York State savings banks held $1.8 billion in common and preferred stock representing 51% of total industry outstandings. Combined Massachusetts and Connecticut savings banks accounted for an additional 32% of industry equities.

2. Other savings bank states also held substantial equities portfolios at year-end 1981. New Jersey, Pennsylvania and Maine savings banks, for example, each had stock portfolios which ranged from $100 million to $150 million in size.

3. Wide variations among institutions and states continued to exist with respect to the percentage distribution of common and preferred stocks in stock

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portfolios. Although common stocks accounted for 57% of total equity holdings on an industrywide basis, New York State savings banks held a smaller 39% share of common stock. Similar below-industry average patterns existed among savings banks in Pennsylvania, New Jersey and Washington.

Sharp reductions in net purchases of equities over the last few years reflect an ongoing concern with maintaining strong liquidity positions in what has been a highly volatile and uncertain interest rate environment. In 1981, the industry sustained a $13.8 billion deposit outflow, excluding interest and a $1.4 billion bottom-line earnings loss. Both in terms of deposit outflows as well as earnings experience, 1981 represented the worst year on record in the history of savings banking.

Table 2: Holdings of Corporate Stock by Mutual Savings Banks, by State, December 31, 1981

(In thousands of dollars)

State	Preferred	Common
New York	1,123,677	724,743
Massachusetts	57,172	504,598
Connecticut	90,241	496,274
Pennsylvania	82,915	33,241
New Hampshire	7,103	91,816
Maine	21,642	84,467
New Jersey	64,030	79,315
Washington	11,113	2,402
Rhode Island	2,247	15,813
Vermont	2,974	11,690
Other states	98,730	23,493
Total	1,561,844	2,067,852

As far as 1982 is concerned, many of the same forces which influenced the 1981 experience will continue to be at work this year. For the January–March period, the industry sustained a deposit outflow of $2.1 billion, excluding interest, which is equivalent to the loss sustained during the same period last year. As far as industry earnings are concerned, first quarter 1982 losses on an annualized basis were running above 1981 levels.

While there is hope for some moderation later this year, a substantial improvement is not anticipated so long as interest rates remain at their present high levels and competition from money market funds and commercial banks remain unchecked. In such an environment, savings bank investment strategies are unlikely to change, and as a result continued attrition in holdings of common and preferred stock portfolios can be anticipated. **(END)**

Mortgaging trends

Rates rise. The average effective interest rate on mortgages for new homes rose to 15.78% in April from March's revised 15.67%, while the average effective interest rate on mortgages for existing homes also increased, to 15.98% from March's revised 15.65%, the FHLB Board said last month.

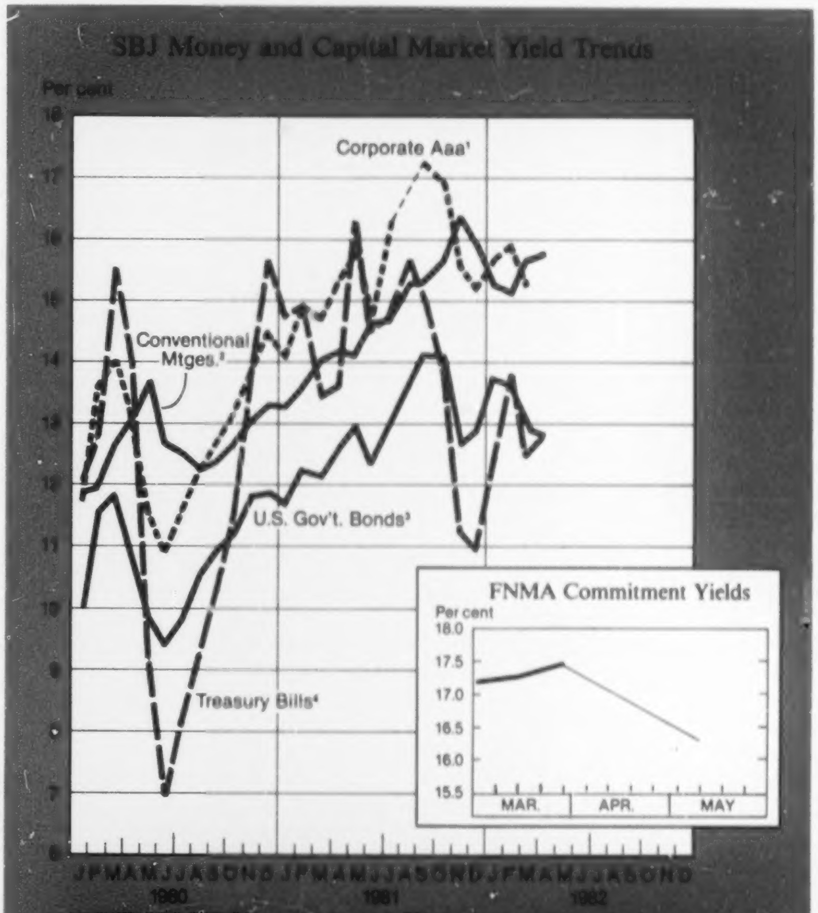
For new homes, in April, the average term-to-maturity was 28.8 years and the average purchase price was $95,100. In March, the average term-to-maturity was 27.4 years and the average price was $90,000.

For existing homes, in April, the average term-to-maturity was 25.3 years and the average purchase price was $68,100, compared with an average term-to-maturity of 25.8 years and average purchase price of $71,100 in March.

Starts plummet. After reporting increases for five consecutive months, the Commerce Department last month said housing starts dropped 6.4% to a seasonally adjusted annual rate of 881,000 in April from March's revised 941,000. The March revision reversed what was originally reported as an increase between February and March.

Single-family starts fell to a 564,000 annual rate in April, from March's 627,000. However, multifamily starts were up slightly, at a 317,000 annual rate, from 314,000.

There was good news for building permits, however, which were up 2.4% to an annual rate of 871,000 in April. The rise was in the multifamily sector, which had an annual rate of 427,000 permits issued in April, compared with 391,000 in March. Single-family permits fell to a 444,000 annual rate, from 460,000 in March.



SBJ Money and Capital Market Yield Trends

MARKET YIELD TRENDS— 1. New issues. 2. Effective rate for purchase of new single-family homes. 3. Maturing or callable in 10 years or more. 4. Three months, new issue rate.

FNMA COMMITMENT YIELDS— Data are average yields on mortgage commitment bids accepted by the Federal National Mortgage Association at its biweekly auctions. Data are for 120-day bids. Yields are gross of ¾% servicing fee. Figures [illegible]

Sells retail securities. Will customers buy mortgage-backed securities over the counter? Testing the market, Coast Federal Savings and Loan, Los Angeles, reports slow going on its $5.2 million sale of retail mortgage participation certificates.

"It's not an unqualified success," said Walter Henderson, senior vice president, early last month. However, he emphasized, "We're testing the market. It's a brand-new instrument and there's no formal secondary market."

Coast Federal initiated its sale of mortgage-backed securities directly to individuals and institutions—rather than through a broker—on April 1. Each certificate represents an undivided interest in 95% of a pool of fixed-rate, 15-year second mortgages, and yields 16.75%. The S&L is retaining 5% interest in the pool, which consists of 175 second mortgages with an average 18.3% rate.

By the end of April, $275,000 worth of certificates were sold, all to individuals investing an average $15,000. A $10,000 minimum investment is required.

Despite the fact that the sale has been going "rather slowly," Henderson said he believes the full issue will be sold by July.

Coast Federal marketed the sale through three ads with clip-out coupons offering a prospectus. The securities were initially available from 10 of its branches, but the S&L plans to expand the sale to more locations. Branch managers have been trained to sell the instrument.

AEP

AMERICAN ELECTRIC POWER COMPANY, Inc.

289th Consecutive Cash Dividend on Common Stock

A regular quarterly dividend of fifty-six and a half cents (56½¢) per share on the Common Capital Stock of the Company, issued and outstanding in the hands of the public, has been declared payable June 10, 1982, to the holders of record at the close of business May 10, 1982.

A. JOSEPH DOWD, *Secretary*

April 28, 1982

savings bank statistics

Prepared by NAMSB's Research Department
Jack Rubinson, Director

DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS

(Amounts in millions of dollars, accounts in thousands)

Period		Amounts Deposited	With-drawals	Net change in deposits			Number of accounts	
				Excluding interest	Including interest		Total	Net Change
					Amt.	%		
Annually	**1979**	122,026	128,987	—6,962	2,659	1.88	31,250	685
	1980	162,537	167,400	—4,863	6,851	4.76	32,462	1,212
	1981	167,715	181,473	—13,759	757	.50	32,205	—257
Monthly								
1981	**Apr.**	15,440	17,465	—2,025	—1,234	—.81	n.a.	n.a.
	May	13,164	13,839	—676	148	.10	n.a.	n.a.
	June	12,916	14,303	—1,387	542	.36	32,015	n.a.
	July	15,058	16,993	—1,935	—1,133	—.74	n.a.	n.a.
	Aug.	14,334	15,876	—1,542	—672	—.44	n.a.	n.a.
	Sept.	14,117	15,797	—1,679	319	.21	n.a.	n.a.
	Oct.	19,202	19,268	—65	789	.05	n.a.	n.a.
	Nov.	13,031	14,091	—1,060	—188	—.12	n.a.	n.a.
	Dec. r	12,690	13,931	—1,241	1,032	.68	32,205	n.a.
1982—	**Jan. r**	13,859	14,922	—1,062	—201	—.13	n.a.	n.a.
	Feb. r	12,013	12,278	—264	843	.55	n.a.	n.a.
	Mar. r	13,643	14,511	—868	1,124	.74	n.a.	n.a.
	Apr. (Est.)	n.a.	n.a.	—1,800	—800	.53	n.a.	n.a.

n.a.—not available. Est.—estimated. r—revised. Source: NAMSB.

Note: Annual and monthly data for net change in deposits including interest and net change in number of accounts have been adjusted, where necessary, to exclude the effects of conversions and consolidations of savings banks and other types of institutions. Components may not add to totals due to rounding.

NET CHANGE IN SAVINGS BANK DEPOSITS, INCLUDING INTEREST, BY TYPE OF ACCOUNT

(Amounts in millions of dollars)

	TOTAL	Market Linked			Fixed Rate		
		Total	6-mo. CDs	30-mo. CDs	Total	Ordinary Savings	Time
1980—Dec.	1,255	4,717	4,167	549	—3,461	—2,309	—1,153
1981—Mar.	1,224	930	401	528	294	985	—691
Apr.	—1,234	397	—113	510	—1,631	—733	—898
May	148	1,941	1,841	101	—1,793	—1,147	—646
June	542	789	456	332	—247	280	—527
July	—1,133	1,085	873	212	—2,218	—950	—1,267
Aug.	—672	2,371	992	1,379	—3,043	—1,600	—1,444
Sept.	319	1,372	—495	1,867	—1,052	251	—1,303
Oct.	789	2,882*	—2,602	1,524	—2,094	—1,053	—1,041
Nov.	—188	842*	—984	1,012	—1,030	218	—1,248
Dec. r	1,032	511*	—545	879	521	923	—402
1982—Jan. r	—202	1,428*	71	989	—1,630	—526	—1,103
Feb. r	579	1,525*	550	740	—946	—386	—560
Mar.	1,124	1,459*	125	1,084	—334	543	—877
MEMORANDA:							
Outstanding Deposits							
Mar. 31, 1981	152,630	68,095	54,151	13,943	84,535	53,049	31,486
Mar. 31, 1982	151,979	83,402*	53,586	24,002	68,576	48,412	20,164
Percent Distribution of Outstanding Deposits							
Mar. 31, 1981	100.0	44.6	35.5	9.1	55.4	34.8	20.6
Mar. 31 1982	100.0	54.9*	35.3	15.8	45.1	31.9	13.3

*—Includes All Savers Certificates not shown separately. r—revised. Source: NAMSB.

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- **Deposit Activity.**
- **Assets and Liabilities.**

Semiannual

- **100 Largest Mutual Savings Banks (March and September SBJ).**

Annual

- **Assets and Liabilities (by states—August SBJ)**
- **Income and Expenses (by states, October SBJ).**

SAVINGS BANK deposit flows fluctuated widely in April and early May, reflecting the effects of seasonal influences and the introduction of the new three-month, money market account. In April, the industry experienced a massive $1.8 billion deposit loss, excluding interest. This was the second largest outflow for the month on record, surpassed only by the $2 billion outflow in 1981. Including interest credited to depositors' accounts, outstanding savings bank deposits declined by $800 million in April.

The huge April drain brought total deposit outflows, excluding interest, to $4 billion in the first four months of 1982. It also marked the 20th consecutive month of disintermediation during which the industry sustained losses totaling $19 billion.

In early May, by contrast, heavy losses gave way to fairly strong inflows, according to preliminary indications. Although deposit activity typically improves during this period, the strengthening appeared to be greater than "normal." Gains at many individual savings banks contrasted sharply with the substantial losses experienced in the corresponding 1981 period.

As in past years, April deposit trends were depressed by unfavorable seasonal factors, such as the end-of-March interest-crediting period, the April 15 cutoff date for filing personal income tax returns and real estate tax payment deadlines in a number of states. The early May turnaround, on the other hand, possibly reflected the initial impact of the new 91-day, Treasury-linked and 3½-year wildcard CDs. This improvement is unlikely to be more than temporary, however, in view of the unfavorable financial environment and the prospect of continued "silent runs."

On the earnings front, bottom-line losses remained heavy in the first quarter of 1982, though declining somewhat from the fourth quarter of 1981. The reduction largely reflected declining deposit interest costs as six-month money market certificates were rolled over at lower rates and an increased number of banks dropped rates on market-linked accounts below ceilings. Much of the first quarter easing in deposit costs was offset by reduced gross income on investments. **(END)**

DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS,[1] BY STATES

(Amounts in thousands of dollars)

State	March 31, 1982					March 31, 1981				
	Amounts Deposited[2]	With-drawals	Net Change in Deposits			Amounts Deposited[2]	With-drawals	Net Change in Deposits		
			Excluding Interest	Incl. Interest				Excluding Interest	Incl. Interest	
				Amt.	%				Amt.	%
Connecticut	1,218,275	1,230,816	—12,540	112,246	.77	1,229,433	1,300,455	—71,022	40,217	.29
Maine	269,441	279,536	—10,095	10,663	.41	280,271	290,632	—10,361	7,650	.30
Maryland	119,379	114,884	4,495	21,174	1.18	112,603	113,880	—1,277	13,823	.83
Massachusetts	2,325,145	2,356,759	—31,614	142,708	.66	2,261,292	2,333,983	—72,691	78,758	.37
New Hampshire	296,581	299,244	—2,663	18,744	.73	287,255	294,370	—7,115	12,861	.51
New Jersey	605,974	673,591	—67,617	28,517	.31	994,999	1,001,885	—6,886	84,720	.97
New York—City	3,788,522	4,147,633	—359,111	535,620	1.05	4,078,635	4,418,232	—339,597	657,323	1.18
—Upstate	2,771,233	2,944,946	—173,713	224,457	.83	2,001,407	2,066,906	—65,499	260,516	1.12
Pennsylvania	1,479,331	1,671,407	—192,076	—52,106	—.40	1,222,016	1,359,099	—137,083	—15,325	—.12
Rhode Island	124,186	127,522	—3,336	20,500	1.13	120,735	114,506	6,229	25,979	1.54
Vermont	88,790	93,547	—4,757	3,553	.40	93,095	107,150	—14,055	—4,569	—.54
Washington	407,886	415,287	—7,401	58,818	1.75	396,260	426,434	—30,174	48,191	1.21
Wisconsin	5,066	5,113	—47	518	.59	5,856	5,995	—139	415	.50
All other states	142,887	150,861	—7,974	—1,060	—.06	270,125	277,014	—6,889	12,972	.49
Total	13,642,696	14,511,146	—868,450	1,124,352	.74	13,353,982	14,110,541	—756,559	1,223,531	.81

Note: See notes to "Assets and Liabilities of All Mutual Savings Banks."

[1] Excludes special purpose accounts such as checking, Christmas, vacation and school. [2] Excludes interest credited.

Source: NAMSB.

ASSETS AND LIABILITIES OF ALL MUTUAL SAVINGS BANKS

(Amounts in millions of dollars)

Date		Mortgages	GNMAs	Investments				Other assets	Total assets-Total liabilities & gen. res. accts.	Deposits			Other liabil-ities	General reserve accounts
				U.S. Govt. & Federal agencies	State & local Govt.	Corpo-rate bonds	Corpo-rate stocks			Total*	Savings	Time		
1976	**Dec. 31**	81,630	5,808	9,109	2,417	20,335	4,381	11,131	134,812	122,877	74,535	47,426	2,884	9,052
1977	**Dec. 31**	88,195	8,331	9,233	2,828	21,498	4,751	12,450	147,287	134,017	78,005	54,739	3,292	9,978
1978	**Dec. 31**	95,157	10,021	8,297	3,333	21,566	4,807	14,991	158,174	142,701	71,816	69,354	4,565	10,907
1979	**Dec. 31**	98,908	11,820	7,658	2,930	20,507	4,760	16,821	163,405	146,006	61,123	82,947	5,873	11,525
1980	**Dec. 31**	99,865	13,849	8,949	2,390	21,209	4,224	21,078	171,564	153,501	53,971	97,445	6,694	11,368
1981	**Apr. 30**	99,798	13,944	9,262	2,314	21,259	4,044	22,216	172,837	153,692	52,331	99,098	8,103	11,042
	May 31	99,790	13,952	9,296	2,328	21,202	3,957	23,252	173,776	153,891	51,212	100,447	8,962	10,923
	June 30	100,003	13,978	9,227	2,331	20,531	3,849	24,398	174,315	154,876	51,544	100,983	8,608	10,831
	July 31	100,095	13,974	9,361	2,291	20,589	3,811	24,457	174,578	153,757	50,593	100,800	10,156	10,665
	Aug. 31	99,987	13,965	9,369	2,326	20,446	3,770	24,899	174,761	153,120	49,003	101,750	11,124	10,516
	Sept. 30	99,944	13,994	9,594	2,323	20,384	3,740	25,255	175,234	153,412	49,254	101,818	11,459	10,364
	Oct. 31	99,903	14,079	9,765	2,394	20,302	3,727	25,523	175,693	154,066	48,238	103,737	11,513	10,114
	Nov. 30	99,879	13,893	9,508	2,271	20,268	3,713	25,727	175,258	153,809	48,456	103,331	11,434	10,015
	Dec. 31 r	99,997	13,911	9,810	2,288	20,249	3,630	25,843	175,728	155,110	49,425	103,578	10,632	9,986
1982	**Jan. 31 r**	99,788	13,948	9,991	2,290	20,288	3,613	26,020	175,938	154,843	48,898	103,903	11,280	9,814
	Feb. 28 r	98,838	14,030	9,966	2,293	20,186	3,565	26,885	175,763	154,626	48,297	104,318	11,464	9,672
	Mar. 31	97,464	13,738	10,072	2,276	20,166	3,475	27,585	174,776	154,021	48,412	103,567	11,132	9,622
	Apr. 30 (Est.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	153,296	n.a.	n.a.	n.a.	n.a
% of Total Assets Mar. 31, 1982		55.8	7.9	5.8	1.3	11.5	2.0	15.8	100.0	88.1	27.7	59.3	6.4	5.5
Change during month		—280	141	155	—13	145	—54	970	1,064	1,178	1,124	581	—159	45

Note: Balance sheet data beginning with April 30, 1979 are not strictly comparable with prior months. This largely reflects: (1) changes in FDIC reporting procedures; and (2) reclassification of certain items.

n.a.—not available. Est.—estimated. r—revised. Source: NAMSB.

* — Total deposit figures include checking, school, club and certain other accounts not shown separately.

Note: GNMA figures refer to all types of mortgage-backed securities guaranteed by the Government National Mortgage Association.

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New Jersey Annual Stirred by State's Mark-to-Market Proposal

Across Current Legislative Scene

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from Washington—Sees Shift To State Initiatives

Drive Continues For Federal Thrift Assistance

Part II — planning — organizing — operating a Commercial Loan Department

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Mortgaging trends

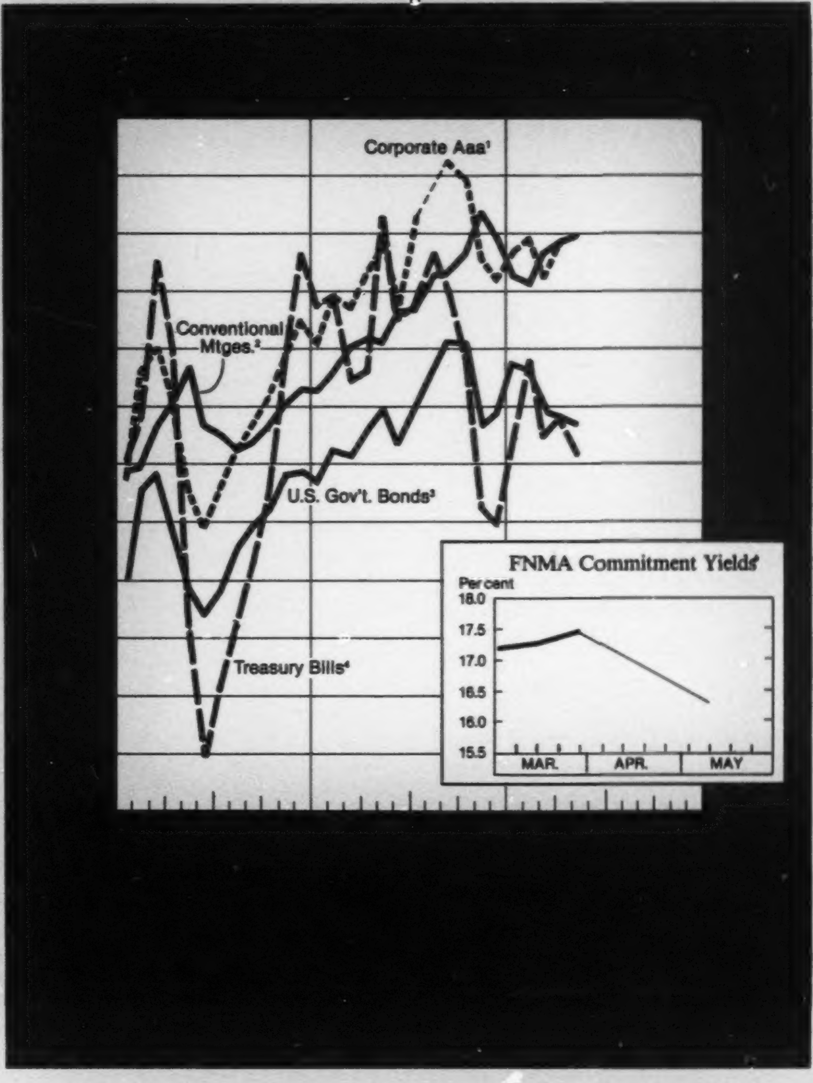
Rates up. The average effective interest rate on mortgages for new homes increased slightly to 15.89% in May from April's 15.84%, while the average effective interest rate on mortgages for existing homes also rose, to 16.11% in May from 16%, the FHLB Board reported last month.

The FHLB Board also said that for new homes, the average term-to-maturity was 25.9 years and the average purchase price was $86,400 in May, compared with 28.6 years and $95,700 the previous month. For existing homes, the average term-to-maturity was 22.3 years and the average purchase price was $69,300 in May, compared with 25.3 years and $69,100 in April.

Starts rebound. Housing starts were back on their feet in May, rising to a seasonally adjusted annual rate of 1.086 million from April's 888,000, the Commerce Department reported last month.

Single-family starts rose to an annual rate of 622,000 in May, from April's 572,000, while total multifamily starts increased to an annual rate of 464,000 from 315,000 the previous month.

Building permits were also up. The Commerce Department said permits rose to a seasonally adjusted annual rate of 969,000 in May, compared with 879,000 in April. Single-family permits increased to 492,000, from April's 450,000, while total multifamily permits totaled 477,000, compared with 429,000 in April.



Skyrocketing housing costs. In 1981, median home prices were $72,000; median monthly housing expenses were $816; and median home buyers' incomes were $39,000. These are just some of the "record high" findings of a housing study released last month by the U.S. League of Savings Associations.

Appropriately entitled "Homeownership: The American Dream Adrift," the study demonstrates that the "average American just can't afford to own a home these days," said League Chairman Roy G. Green. Green said the study documents that steps must be taken to aid the housing and thrift industries in order to tighten the affordability gap faced by home buyers.

The League study was released at a mid-June news conference, and received wide media coverage, including network TV and radio, newspapers, and the trade press. The 125-page report is the League's third biannual study of housing conditions, and is based on data collected from 14,000 conventional mortgage transactions at 250 S&Ls.

The study shows that between 1979 when the League's previous study was undertaken and last year, median home prices increased $11,000 to $72,000 and median monthly housing expenses rose $266 to $816. As well, to keep up with rising housing costs, home buyers had a median income of $39,000 last year, $11,000 more than in 1979.

The study also found that first-time home buyers accounted for only 13.5% of all home purchases last year, down significantly from 17.8% in 1979 and 36% in 1977. Ironically, second income was said to be important to 52.1% of all home buyers last year, compared with 53.9% in 1979.

On mortgage loans, the report found that slightly more than half of all conventional mortgages closed last year were adjustable loans. The median interest rate on RRMs and AMLs was 14.25%, and 15% on fixed-rate loans.

Expands second mortgage program. The Federal National Mortgage Association last month opened its second mortgage purchasing program to include whole loans, in addition to participations.

Lenders can now sell to FNMA either participations, whole loans or second mortgage pools containing a combination of the two. Through May, FNMA

(continued on page 30)

savings bank statistics

- Heavy May over-counter deposit losses
- Market-linked accounts up $2.3 billion
- Surplus down

Prepared by NAMSB's Research Department • Jack Rubinson, Director

NET CHANGE IN REGULAR DEPOSITS IN SAVINGS BANKS

(Amounts in millions of dollars)

Period	Monthly and Annually			
	Excluding Interest		Including Interest	
	Amount	%	Amount	%
Annually				
1978	−591	−.45	7,697	5.80
1979	−6,962	−4.93	2,659	1.88
1980	−4,863	−3.38	6,851	4.76
1981	−13,759	−9.09	757	.50
Monthly				
1982				
Jan.	−1,062	−.69	−202	−.13
Feb.	−264	−.17	579	.38
Mar.	−868	−.57	1,124	.74
Apr.	−1,800	−1.18	−977	−.64
May (est.)	−650	−.43	250	.17

State	Change by States							
	April 1982				April 1981			
	Excluding Interest		Including Interest		Excluding Interest		Including Interest	
	Amount	%	Amount	%	Amount	%	Amount	%
Conn.	−106	−.73	16	.11	−154	−1.12	−46	−.33
Me.	−22	−.86	−2	−.07	−17	−.68	1	.05
Md.	−6	−.35	6	.33	7	.44	13	.78
Mass.	−230	−1.06	−58	−.27	−309	−1.44	−147	−.68
N.H.	−17	−.65	3	.12	−28	−1.12	−8	−.33
N.J.	−118	−1.28	−37	−.40	−60	−.67	12	.14
N.Y.	−993	−1.27	−718	−.92	−1,222	−1.53	−926	−1.16
−City	−714	−1.39	−571	−1.11	−1,010	−1.80	−838	−1.49
−Upstate	−279	−1.03	−147	−.54	−212	−.90	−88	−.37
Penn.	−205	−1.55	−109	−.83	−97	−.76	−23	−.18
R.I.	−15	−.85	−4	−.25	−24	−1.37	−15	−.85
Vt.	−3	−.30	2	.21	−3	−.32	3	.38
Wash.	−69	−2.06	−62	−1.85	−76	−1.87	−67	−1.67
TOTAL	−1,800	−1.18	−977	−.64	−2,025	−1.33	−1,234	−.81

Note: Regular deposits excludes special purpose accounts such as checking, school and club. est.—estimated.

ASSETS AND LIABILITIES OF ALL SAVINGS BANKS

(Amounts in millions of dollars)

Date	Mtges.	Mtge.-backed	Investments				Other assets	Total assets-total liabilities & gen. res. accts.	Deposits				Other liabilities	General reserve accounts
			U.S. Govt. & Federal agencies	State & Local Govt.	Corp. bonds	Corp. stocks			Total[1]	Savings	Time			
											Market-linked[2]	Other		
Year-end														
1977	88,195	8,331	9,233	2,828	21,498	4,751	12,450	147,287	134,017	78,005	—	54,739	3,292	9,978
1978	95,157	10,021	8,297	3,333	21,566	4,807	14,991	158,174	142,701	71,816	13,000	56,354	4,565	10,907
1979	98,908	11,820	7,658	2,930	20,507	4,760	16,821	163,405	146,006	61,123	34,996	47,951	5,873	11,525
1980	99,865	13,849	8,949	2,390	21,209	4,224	21,078	171,564	153,501	53,971	62,981	34,464	6,694	11,368
Month-end														
1981														
May	99,790	13,952	9,296	2,328	21,202	3,957	23,252	173,776	153,891	51,212	70,433	30,014	8,962	10,923
June	100,003	13,978	9,227	2,331	20,531	3,849	24,398	174,315	154,876	51,544	71,221	29,762	8,608	10,831
July	100,095	13,974	9,361	2,291	20,589	3,811	24,457	174,578	153,757	50,593	72,306	28,494	10,156	10,665
Aug.	99,987	13,965	9,369	2,326	20,446	3,770	24,899	174,761	153,120	49,003	74,677	27,073	11,124	10,516
Sept.	99,944	13,994	9,594	2,323	20,384	3,740	25,255	175,234	153,412	49,254	76,049	25,769	11,459	10,364
Oct.	99,903	14,079	9,765	2,394	20,302	3,727	25,523	175,693	154,066	48,238	78,931	24,806	11,513	10,114
Nov.	99,879	13,893	9,508	2,271	20,268	3,713	25,727	175,258	153,809	48,456	79,773	23,558	11,434	10,015
Dec.	99,997	13,911	9,810	2,288	20,249	3,630	25,843	175,728	155,110	49,425	80,387	23,192	10,632	9,986
1982														
Jan.	99,788	13,948	9,991	2,290	20,288	3,613	26,020	175,938	154,843	48,898	81,825	22,078	11,280	9,814
Feb.	98,838	14,030	9,966	2,293	20,186	3,565	26,885	175,763	154,626	48,297	82,997	21,321	11,464	9,672
Mar.	97,464	13,738	10,072	2,276	20,166	3,475	27,585	174,776	154,021	48,412	83,402	20,164	11,132	9,622
Apr.	97,160	13,793	10,146	2,269	20,256	3,424	27,765	174,813	153,187	47,733	83,992	19,296	12,141	9,485
May (Est.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	153,362	n.a.	86,400	n.a.	n.a.	n.a.
% of Total Assets														
Apr. 30, 1982	55.6	7.9	5.8	1.3	11.6	2.0	15.9	100.0	87.6	27.3	48.0	11.0	6.9	5.4
Change during month	−320	55	74	−7	90	−51	172	13	−854	−684	578	−872	1,005	−137

Note: Balance sheet data beginning with April 30, 1979 are not strictly comparable with prior months. This largely reflects: (1) changes in FDIC reporting procedures; and (2) reclassification of certain items. n.a.—not available. Est.—estimated. Source: NAMSB.

[1] — Total deposit figures include checking, school, club and certain other accounts not shown separately.

[2] — Market-linked figures include 6-mo. MMCs, 30-mo. SSCs, and All Savers Certificates.

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Savings Bank Journal

August 1982

Official publication of the National Association of Mutual Savings Banks

Strategic Planning

—the process at work

SURVIVAL TACTICS N TROUBLED TIMES

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Also: President Urges Interest Withholding, Congress Moves Quickly on Plan ■ Delaware OKs Consumer, Commercial Loans ■ Short-Term Deposit Instrument to Debut ■ SEC Clears Thrift Brokerage Service ■ VBA Meet Weighs Stock Option ■ Plans Commercial Bank Purchase

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Mortgaging trends

Rates fall. The average effective interest rate on mortgages for new homes dropped in June to 15.53% from May's 15.89%, while the average effective interest rate on mortgages for existing homes also fell, to 15.56% in June from 16.11%, the FHLB Board reported last month.

The FHLB Board also reported that for new homes in June, the average term-to-maturity increased to 27.4 years, from 25.9 years, and the average purchase price rose to $88,900, from May's $86,400.

For existing homes, the average-term-to-maturity increased to 25.5 years in June from 22.3 years, and the average purchase price was $71,500, up from $69,300 the previous month.

Starts fall. Housing starts fell to a seasonally adjusted annual rate of 911,000 in June, from 1.075 million in May, the Commerce Department said.

Single-family starts dropped to an annual rate of 607,000 in June, from 631,000; multifamily starts fell to 304,000, from 444,000.

Total building permits rose to an annual rate of 948,000 in June, from 944,000 in May.

Forms finance division. In another sign of the times in mortgage finance, the National Association of Home Builders, Washington, D.C., recently announced the formation of a Mortgage Finance Division.

The new division is headed by Elizabeth Bean Qutb, staff vice president.

NAHB Executive Vice President David E. Stahl said the division was formed because "finding reliable and affordable sources of mortgage finance to assure an adequate supply of housing has become the preeminent issue facing our industry."

Enforces due-on-sale. The U.S. Supreme Court's 6-2 ruling in late June upholding the right of federal savings and loans to enforce due-on-sale clauses raised speculation last month about thrift conversions to a federal charter.

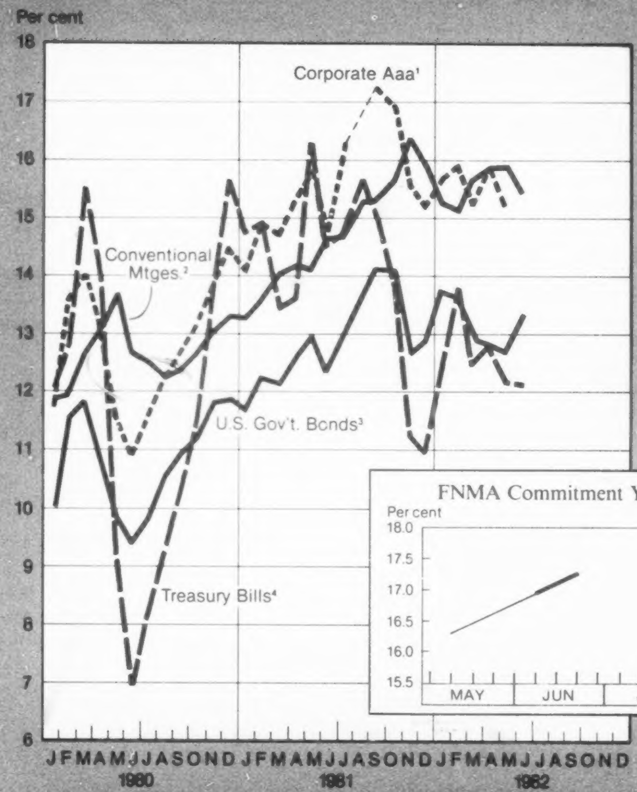
In ruling that federal S&Ls can enforce due-on-sale clauses prohibiting assumptions regardless of state law, the court affirmed the FHLB Board's authority to preempt state restrictions as they apply to federal S&Ls. The case involved Fidelity Federal S&L, Glendale, Calif., and overturned an appellate court ruling which held that due-on-sale clauses were unenforceable in California despite federal regulations to the contrary.

FHLB Board Chairman Richard Pratt said that the Supreme Court's decision should prevent an estimated $1.3 billion in additional losses at federal S&Ls over the next two years. Other thrift officials predicted it could lead to a wider availability of mortgage funds.

The ruling also prompted speculation that it would spur the conversion of state-chartered thrifts to federal charters in the 18 states where enforceability of due-on-sale currently is restricted or is in question. Pratt noted the ruling might also lead to changes in state law or reversals of court decisions in those states. For instance, there are conflicting court rulings on this issue in the savings bank states of New York and Washington.

Meanwhile, as a result of the Supreme Court decision, the Federal Home Loan Mortgage Corporation said that effective August 2, any enforceable due-on-sale mortgage it owns will automatically have its rate accelerated upon transfer of the mortgaged property, unless the seller repurchases the loan. Freddie Mac said that in those states where lenders are restricted from increasing the rate on assumptions, it will permit an assumption without a rate increase pending the credit-worthiness investigation of the borrower. Also in those states, it may require call options placed in mortgages. The Federal National Mortgage Association has had a similar policy for more than a year-and-one-half.

SBJ Money and Capital Market Yield Trends



MARKET YIELD TRENDS— 1. New issues. 2. Effective rate for purchase of new single-family homes. 3. Maturing or callable in 10 years or more. 4. Three months, new issue rate.
FNMA COMMITMENT YIELDS— Data are average yields on mortgage commitment bids accepted by the Federal National Mortgage Association at its biweekly auctions. Data are for 120-day bids. Yields are gross of $\frac{3}{8}$% servicing fee. Figures assume 30-year mortgages with an assumed prepayment period of 12 years.

savings bank statistics

June's $1.2 billion deposit loss 2nd highest on record ■ Mortgage lending down ■ Newest balance-sheet data

Prepared by NAMSB's Research Department • Jack Rubinson, Director

NET CHANGE IN REGULAR DEPOSITS IN SAVINGS BANKS

(Amounts in millions of dollars)

Period	Monthly and Annually			
	Excluding Interest		Including Interest	
	Amount	%	Amount	%
Annually				
1978	−591	−.45	7,697	5.80
1979	−6,962	−4.93	2,659	1.88
1980	−4,863	−3.38	6,851	4.76
1981	−13,759	−9.09	757	.50
Monthly				
1982				
Jan.	−1,062	−.69	−202	−.13
Feb.	−264	−.17	579	.38
Mar.	−868	−.57	1,124	.74
Apr.	−1,800	−1.18	−977	−.64
May	−654	−.43	232	.15
June (est.)	−1,200	−.79	800	.53

State	Change by States							
	May 1982				May 1981			
	Excluding Interest		Including Interest		Excluding Interest		Including Interest	
	Amount	%	Amount	%	Amount	%	Amount	%
Conn.	−30	−.20	91	.62	5	.03	112	.82
Me.	−6	−.24	14	.53	−7	−.26	13	.50
Md.	−3	−.16	10	.55	−10	−.58	7	.39
Mass.	−107	−.49	58	.27	−181	−.85	−14	−.07
N.H.	−12	−.45	9	.34	−8	−.32	11	.45
N.J.	−37	−.40	40	.44	32	.36	106	1.19
N.Y.	−300	−.39	50	.06	−409	−.52	−96	−.12
−City	−159	−.31	17	.03	−398	−.72	−225	−.41
−Upstate	−140	−.52	32	.12	−11	−.05	129	.55
Penn.	−144	−1.11	−48	−.37	−57	−.45	20	.16
R.I.	−1	−.04	10	.53	−1	−.07	9	.50
Vt.	3	.35	7	.84	−7	−.84	−2	−.23
Wash.	−21	−.63	−14	−.41	−24	−.61	−16	−.40
TOTAL	−654	−.43	232	.15	−676	−.45	148	.10

Note: Regular deposits excludes special purpose accounts such as checking, school and club. est.—estimated.

ASSETS AND LIABILITIES OF ALL SAVINGS BANKS

(Amounts in millions of dollars)

Date	Mtges.	Mtge.-backed	Investments				Other assets	Total assets-total liabilities & gen. res. accts.	Deposits				Other liabilities	General reserve accounts
			U.S. Govt. & Federal agencies	State & Local Govt.	Corp. bonds	Corp. stocks			Total[1]	Savings	Time			
											Market-linked[2]	Other		
Year-end														
1977	88,195	8,331	9,233	2,828	21,498	4,751	12,450	147,287	134,017	78,005	—	54,739	3,292	9,978
1978	95,157	10,021	8,297	3,333	21,566	4,807	14,991	158,174	142,701	71,816	13,000	56,354	4,565	10,907
1979	98,908	11,820	7,658	2,930	20,507	4,760	16,821	163,405	146,006	61,123	34,996	47,951	5,873	11,525
1980	99,865	13,849	8,949	2,390	21,209	4,224	21,078	171,564	153,501	53,971	62,981	34,464	6,694	11,368
Month-end														
1981														
June	100,003	13,978	9,227	2,331	20,531	3,849	24,398	174,315	154,876	51,544	71,221	29,762	8,608	10,831
July	100,095	13,974	9,361	2,291	20,589	3,811	24,457	174,578	153,757	50,593	72,306	28,494	10,156	10,665
Aug.	99,987	13,965	9,369	2,326	20,446	3,770	24,899	174,761	153,120	49,003	74,677	27,073	11,124	10,516
Sept.	99,944	13,994	9,594	2,323	20,384	3,740	25,255	175,234	153,412	49,254	76,049	25,769	11,459	10,364
Oct.	99,903	14,079	9,765	2,394	20,302	3,727	25,523	175,693	154,066	48,238	78,931	24,806	11,513	10,114
Nov.	99,879	13,893	9,508	2,271	20,268	3,713	25,727	175,258	153,809	48,456	79,773	23,558	11,434	10,015
Dec.	99,997	13,911	9,810	2,288	20,249	3,630	25,843	175,728	155,110	49,425	80,387	23,192	10,632	9,986
1982														
Jan.	99,788	13,948	9,991	2,290	20,288	3,613	26,020	175,938	154,843	48,898	81,825	22,078	11,280	9,814
Feb.	98,838	14,030	9,966	2,293	20,186	3,565	26,885	175,763	154,626	48,297	82,997	21,321	11,464	9,672
Mar.	97,464	13,738	10,072	2,276	20,166	3,475	27,585	174,776	154,021	48,412	83,402	20,164	11,132	9,622
Apr.	97,160	13,793	10,146	2,269	20,256	3,424	27,765	174,813	153,187	47,733	83,992	19,296	12,141	9,485
May	96,334	13,990	9,968	2,259	20,079	3,417	28,905	174,952	153,354	47,895	84,898	18,460	12,246	9,352
June (Est.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	154,254	n.a.	86,051	n.a.	n.a.	n.a.
% of Total Assets May 31, 1982	55.1	8.0	5.7	1.3	11.5	2.0	16.5	100.0	87.7	27.4	48.5	10.6	7.0	5.3
Change during month	−826	198	−178	−11	−178	−7	1,141	139	167	162	906	−836	105	−133

Note: Balance sheet data beginning with April 30, 1979 are not strictly comparable with prior months. This largely reflects: (1) changes in FDIC reporting procedures; and (2) reclassification of certain items. n.a.—not available. Est.—estimated. Source: NAMSB.

[1]— Total deposit figures include checking, school, club and certain other accounts not shown separately.

[2]— Market-linked figures include 6-mo. MMCs, 30-mo. SSCs, and All Savers Certificates.

Table 1

Assets and Liabilities of Savings Banks, by States, December 31, 1981

(in millions of dollars)

Item	Total	New York	Mass	Conn	Pa	N J	Wash	Me	N H	Md	R I	All other states
ASSETS												
Cash and due from banks	5,442	1,431	702	652	872	1,079	115	110	100	107	92	181
U.S. Treasury and federal agency obligations	9,810	4,274	2,154	684	620	733	192	275	186	174	203	315
State and local obligations	2,288	1,292	53	102	645	103	4	6	5	9	18	51
Mortgage investments	113,908	59,742	15,610	11,215	8,017	6,385	3,761	1,975	1,927	1,119	1,270	2,887
Mortgage loans	99,997	50,129	14,319	10,851	7,065	5,230	3,620	1,886	1,841	1,088	1,203	2,765
Mortgage-backed securities	13,911	9,613	1,291	363	953	1,154	141	90	86	31	67	122
Corporate bonds	16,484	10,923	1,696	717	1,504	956	120	129	70	67	53	248
Other bonds, notes and debentures	3,766	2,567	556	186	273	97	20	15	23	8	4	16
Corporate stock	3,630	1,848	562	587	116	143	14	106	99	49	18	88
Other loans	14,753	5,802	2,142	1,723	2,196	722	560	295	402	378	238	295
Guaranteed education loans	2,228	1,262	322	197	155	181	8	38	33	9	12	10
Consumer installment loans	2,161	260	437	385	511	50	30	94	141	143	41	68
Home improvement loans	1,013	372	249	155	11	43	33	28	34	46	18	24
Federal funds	5,234	2,401	773	465	718	301	307	61	81	17	21	87
Passbook loans	1,197	530	255	166	24	39	13	32	39	12	46	42
All other loans	2,920	976	106	355	776	107	169	42	74	152	100	63
Bank premises owned	1,718	782	272	162	77	129	83	42	57	19	37	57
Other real estate	364	124	68	59	20	12	63	5	3	*	1	8
Other assets	3,568	1,995	341	278	270	198	132	45	40	119	63	86
TOTAL ASSETS	175,728	90,782	24,157	16,364	14,611	10,556	5,065	3,003	2,913	2,050	1,996	4,232
LIABILITIES												
Regular deposits	153,003	79,140	21,381	14,189	13,036	9,164	3,861	2,581	2,533	1,740	1,779	3,599
Savings	49,425	24,954	8,403	4,450	3,620	2,832	1,065	941	886	753	562	958
Time	103,578	54,186	12,978	9,739	9,416	6,332	2,797	1,640	1,647	987	1,217	2,640
6-month	53,641	28,092	6,652	5,594	3,820	4,000	1,448	944	848	542	659	1,042
30-month	21,794	10,615	3,013	2,034	2,534	1,122	555	345	406	199	278	694
$100,000 and over	5,428	2,547	359	554	1,040	101	222	48	52	66	24	414
Other time	22,716	12,932	2,954	1,558	2,021	1,109	572	303	340	180	257	490
Other deposits	2,108	1,094	62	211	148	321	36	32	13	66	5	119
Total deposits	155,110	80,234	21,443	14,400	13,184	9,486	3,898	2,613	2,546	1,806	1,784	3,717
Borrowings and mortgage warehousing	8,132	4,817	519	581	480	437	811	127	94	29	9	228
Other liabilities	2,500	1,347	380	208	159	105	90	41	30	44	44	53
TOTAL LIABILITIES	165,742	86,398	22,342	15,189	13,823	10,028	4,798	2,780	2,670	1,879	1,837	3,999
Capital notes and debentures	358	118	—	37	126	42	5	1	1	—	4	25
Other general reserves	9,628	4,266	1,815	1,139	662	486	262	222	242	171	155	208
TOTAL GENERAL RESERVE ACCOUNTS	9,986	4,384	1,815	1,175	788	529	267	223	243	171	159	233
TOTAL LIABILITIES AND RESERVES	175,728	90,782	24,157	16,364	14,611	10,556	5,065	3,003	2,913	2,050	1,996	4,232
MEMORANDA												
Cash and investments:												
Maturing within one year	16,814	6,034	3,005	1,799	2,145	1,740	489	338	307	227	312	418
Maturing within five years	24,209	9,408	4,729	2,358	2,487	2,273	607	509	434	339	426	640
Total mortgage loans	100,619	50,506	14,397	10,899	7,125	5,247	3,622	1,887	1,848	1,105	1,211	2,770
Residential	85,477	43,103	12,209	9,642	5,506	4,788	2,963	1,617	1,564	972	907	2,207
FHA	12,752	9,641	945	234	758	696	85	70	57	69	50	145
VA	10,478	6,500	1,298	264	1,073	617	75	253	148	110	49	92
Conventional	62,247	26,962	9,966	9,143	3,675	3,475	2,803	1,294	1,359	793	808	1,970
Nonresidential	15,101	7,397	2,177	1,252	1,619	459	658	269	281	133	305	551
Farm	40	7	11	5	*	*	1	1	3	—	—	12
Total corporate stock	3,630	1,848	562	587	116	143	14	106	99	49	18	88
Preferred	1,562	1,124	57	90	83	64	11	22	7	41	2	61
Common	2,067	725	505	496	33	79	2	84	92	9	16	26
Number of banks	448	104	159	65	9	20	10	27	25	3	6	20

*Less than $500,000.

NOTE: Consumer installment loans for New York include checking overdrafts and other loans. The mortgage loan breakdown shown in memoranda are gross of valuation reserves. Cash and investments maturing within one and five years include cash, federal funds, securities and open market paper.

SOURCE: NAMSB.

Table 2

Percentage Distribution of Assets and Liabilities of Savings Banks, by States, December 31, 1981

Item	Total	New York	Mass	Conn	Pa	N J	Wash	Me	N H	Md	R I	All other states
ASSETS												
Cash and due from banks	3.1	1.6	2.9	4.0	6.0	10.2	2.3	3.7	3.4	5.2	4.6	4.3
U.S. Treasury and federal agency obligations	5.6	4.7	8.9	4.2	4.2	6.9	3.8	9.2	6.4	8.5	10.2	7.5
State and local obligations	1.3	1.4	.2	.6	4.4	1.0	.1	.2	.2	.4	.9	1.2
Mortgage investments	64.8	65.8	64.6	68.5	54.9	60.5	74.3	65.8	66.2	54.6	63.6	68.2
Mortgage loans	56.9	55.2	59.3	66.3	48.4	49.5	71.5	62.8	63.2	53.1	60.3	65.3
Mortgage-backed securities	7.9	10.6	5.3	2.2	6.5	10.9	2.8	3.0	3.0	1.5	3.3	2.9
Corporate bonds	9.4	12.0	7.0	4.4	10.3	9.1	2.4	4.3	2.4	3.3	2.7	5.9
Other bonds, notes and debentures	2.1	2.8	2.3	1.1	1.9	.9	.4	.5	.8	.4	.2	.4
Corporate stock	2.1	2.0	2.3	3.6	.8	1.4	.3	3.5	3.4	2.4	.9	2.1
Other loans	8.4	6.4	8.9	10.5	15.0	6.8	11.1	9.8	13.8	18.5	11.9	7.0
Guaranteed education loans	1.3	1.4	1.3	1.2	1.1	1.7	.2	1.3	1.1	.5	.6	.2
Consumer installment loans	1.2	.3	1.8	2.4	3.5	.5	.6	3.1	4.9	7.0	2.1	1.6
Home improvement loans	.6	.4	1.0	.9	.1	.4	.6	.9	1.2	2.3	.9	.6
Federal funds	3.0	2.6	3.2	2.8	4.9	2.9	6.1	2.0	2.8	.8	1.1	2.1
Passbook loans	.7	.6	1.1	1.0	.2	.4	.2	1.1	1.3	.6	2.3	1.0
All other loans	1.7	1.1	.5	2.2	5.2	.9	3.4	1.4	2.5	7.3	4.9	1.5
Bank premises owned	1.0	.9	1.1	1.0	.5	1.2	1.6	1.4	2.0	.9	1.9	1.3
Other real estate	.2	.1	.3	.4	.1	.1	1.2	.2	.1	*	*	.2
Other assets	2.0	2.2	1.4	1.7	1.8	1.9	2.6	1.5	1.4	5.8	3.1	2.0
TOTAL ASSETS	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
LIABILITIES												
Regular deposits	87.1	87.2	88.5	86.7	89.2	86.8	76.2	85.9	87.0	84.9	89.1	85.0
Savings	28.1	27.5	34.8	27.2	24.8	26.8	21.0	31.3	30.4	36.7	28.2	22.6
Time	58.9	59.7	53.7	59.5	64.4	60.0	55.2	54.6	56.5	48.2	61.0	62.4
6-month	30.5	30.9	27.5	34.2	26.1	37.9	28.6	31.4	29.1	26.4	33.0	24.6
30-month	12.4	11.7	12.5	12.4	17.3	10.6	11.0	11.5	14.0	9.7	13.9	16.4
$100,000 and over	3.1	2.8	1.5	3.4	7.1	1.0	4.4	1.6	1.8	3.2	1.2	9.8
Other time	12.9	14.2	12.2	9.5	13.8	10.5	11.3	10.1	11.7	8.8	12.9	11.6
Other deposits	1.2	1.2	.3	1.3	1.0	3.0	.7	1.1	.5	3.2	.3	2.8
Total deposits	88.3	88.4	88.8	88.0	90.2	89.9	76.9	87.0	87.4	88.1	89.4	87.8
Borrowings and mortgage warehousing	4.6	5.3	2.1	3.6	3.3	4.1	16.0	4.2	3.2	1.4	.5	5.4
Other liabilities	1.4	1.5	1.6	1.3	1.1	1.0	1.8	1.4	1.0	2.2	2.2	1.3
TOTAL LIABILITIES	94.3	95.2	92.5	92.9	94.6	95.0	94.7	92.6	91.6	91.7	92.1	94.5
Capital notes and debentures	.2	.1	—	.2	.9	.4	.1	*	*	—	.2	.6
Other general reserves	5.5	4.7	7.5	7.0	4.5	4.6	5.2	7.4	8.3	8.3	7.8	4.9
TOTAL GENERAL RESERVE ACCOUNTS	5.7	4.8	7.5	7.2	5.4	5.0	5.3	7.4	8.3	8.3	8.0	5.5
TOTAL LIABILITIES AND RESERVES	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
MEMORANDA												
Cash and investments:						(Per cent of total assets)						
Maturing within one year	9.6	6.6	12.4	11.0	14.7	16.5	9.6	11.3	10.5	11.1	15.6	9.9
Maturing within five years	13.8	10.4	19.6	14.4	17.0	21.5	12.0	17.0	14.9	16.5	21.3	15.1
						(Percentage distribution)						
Total mortgage loans	57.3	55.6	59.6	66.6	48.8	49.7	71.5	62.9	63.4	53.9	60.7	65.5
Residential	48.6	47.5	50.5	58.9	37.7	45.4	58.5	53.8	53.7	47.4	45.4	52.2
FHA	7.3	10.6	3.9	1.4	5.2	6.6	1.7	2.3	2.0	3.4	2.5	3.4
VA	6.0	7.2	5.4	1.6	7.3	5.8	1.5	8.4	5.1	5.3	2.4	2.2
Conventional	35.4	29.7	41.3	55.9	25.2	32.9	55.3	43.1	46.6	38.7	40.5	46.6
Nonresidential	8.6	8.1	9.0	7.7	11.1	4.4	13.0	9.0	9.6	6.5	15.3	13.0
Farm	*	*	*	*	*	*	*	*	.1	—	—	.3
Total corporate stock	2.1	2.0	2.3	3.6	.8	1.4	.3	3.5	3.4	2.4	.9	2.1
Preferred	.9	1.2	.2	.6	.6	.6	.2	.7	.2	2.0	.1	1.4
Common	1.2	.8	2.1	3.0	.2	.8	*	2.8	3.2	.4	.8	.6

*Less than .05%.
NOTE: See notes to Table 1.
SOURCE: NAMSB.

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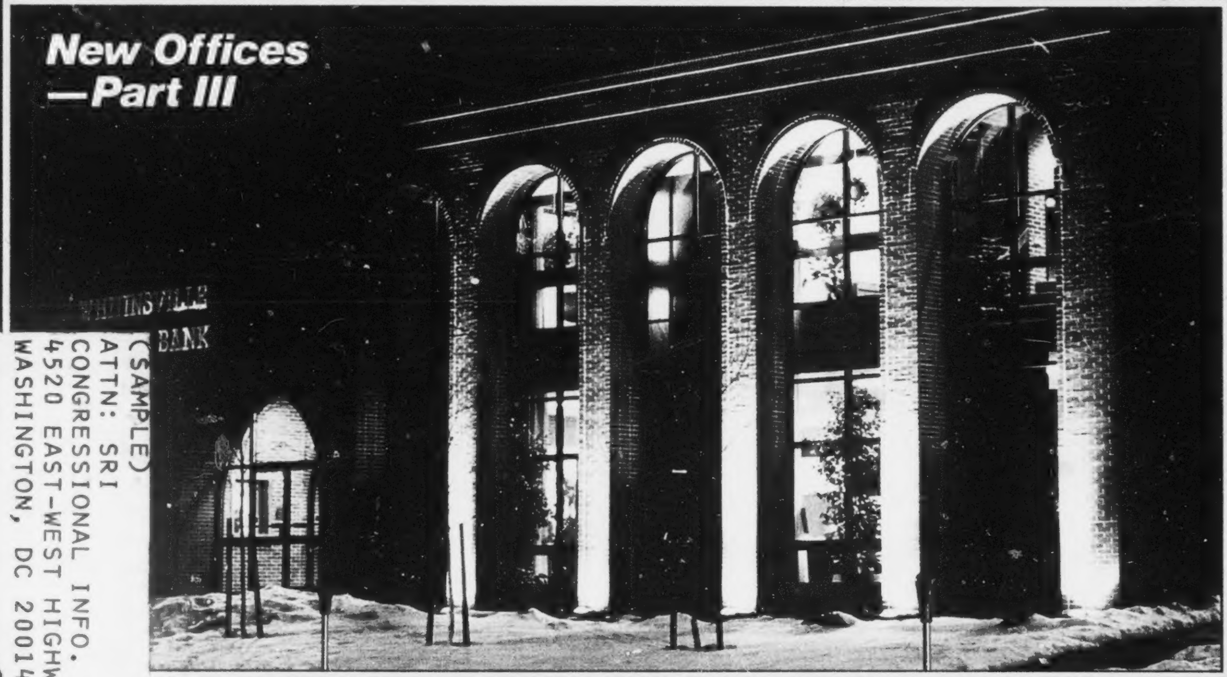
September 1982

Official publication of the National Association of Mutual Savings Banks

Savings Bank Commercial Lending

—a survey report

New Offices —Part III



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SAVINGS BANKS IN COMMERCIAL LENDING

a survey report

THIS REPORT summarizes the results of a survey—the first to be conducted—of commercial loan activity in the savings bank industry. It was conducted earlier this year under the auspices of NAMSB's Committee on Commercial Loans, which was established late in 1981 in recognition of the potentially major importance of business lending to savings banks in an increasingly deregulated environment.

The Committee on Commercial Loans is chaired by George Graboys, president and CEO of Citizens Savings Bank of Providence, R.I. Graboys, an experienced commercial loan officer himself, heads a savings bank unusual in the industry because it has been a commercial lender of significance since the turn of the century—first through its commercial bank subsidiary and, since the mid-1970s, on its own. Further, the committee's roster itself also is unusual in that many of its 25 members represent a new breed of savings banker—seasoned business loan officers who gained their long years of experience in commercial banking.

One of the first objectives the new NAMSB committee set for itself was to determine the present "state of the art" of business lending in the savings bank industry, and toward that end this survey was developed. The survey questionnaire, addressed to the "Senior Commercial Loan Officer," was mailed to all savings banks on February 4. The survey measured the extent of industry commercial lending—its findings are grouped in a series of 11 tables on the following page. In addition, another goal of this initial survey was to acquire basic guidance on the type of National Association programs necessary to help satisfy savings banking's education, information and support needs in this area.

The Committee on Commercial Loans will conduct additional surveys in the future, both to monitor industry penetration into this new market, and to provide more complete information on the "hows" and "whys" of commercial lending, which should be helpful to institutions considering entry into the field. Among the informational targets of the committee's future surveys—size of commercial loan department, personnel costs, deliquency and loss experience, and interest margins.

This initial survey used the same definition of commercial loan as that given by the FDIC in its instructions for the preparation of a savings bank's Report of Condition (Form 8040/18): "Commercial . . . loans (except for those secured primarily by real estate) [are] business loans to individuals, partnerships, and corporations whether single payment or installment and whether secured or unsecured."

An initial review of the survey-results makes it clear that savings bank expansion into this relatively new field of industry lending has been at a slow but steady pace. Ninety-six of the nation's 432 savings banks returned the questionnaire, and 53 of these institutions indicated that they presently en-

Chronology of Savings Bank Commercial Loan Powers

Savings banks in six states have had various degrees of commercial loan powers dating back many years. They are Indiana, Maine, Maryland, Rhode Island, Vermont and Wisconsin.

Federal savings banks gained commercial loan powers for up to 5% of assets on Mar. 31, 1980 with enactment of the Depository Institutions Deregulation and Monetary Control Act.

Since then the 10 other savings bank states have granted savings banks specific business loan powers. The effective dates and limits of these powers are:

Alaska—July 1, 1980, full commercial bank powers.

Connecticut—May 1981, up to 5% of assets.

Delaware—June 30, 1982, up to 5% of assets.

Massachusetts—Mid-October, up to 5% of assets.

New Hampshire—Had authorization for business and consumer loans up to 15% of assets, and on June 1, 1981 savings banks were authorized corporate loans for up to an additional 5% of assets.

New York—Mar. 1, 1981, up to 5% of assets.

New Jersey—Sept. 10, 1981, up to 5% of assets.

Oregon—June 19, 1981, up to 5% of assets.

Pennsylvania—April 1981, up to 5% of assets in commercial loans of less than 10 years; savings banks already had authorization to make commercial loans exceeding 10 years.

Washington—July 26, 1981, 20% of "funds," including deposits and capital borrowings.

1. Location of Respondents

State	Number	Percent of Total
Connecticut	13	25
Maine	6	11
Maryland	2	4
Massachusetts	10	19
New Hampshire	3	5
New York	11	21
Pennsylvania	3	6
Rhode Island	2	4
Vermont	3	5

2. Asset Size of Respondents

Size	Average Assets (MM)	Number	Percent
Small (up to 200MM)	121	23	44
Medium (200MM-800MM)	365	15	29
Large (800MM or more)	2399	14	27

3. Effective Date of Commercial Loan Authority

Date	Number	Percent
Prior to 1980	10	20
Jan. 1980-June 1981	37	76
July 1981 and after	2	4

4. Maximum Permissible Loan Portfolio as a Percent of Assets (legal restriction)

Rate	Number	Percent
5% or less	34	74
6%-15%	5	11
20% or more	7	15

5. Amount of Commercial Loans Outstanding (December 31, 1981)

Amount	Number	Percent
Up to $800M	18	34
$800M to $7MM	24	46
$7MM or more	10	20

6. Amount of Loans (millions) by Asset Size

Asset Size	Number	Average Portfolio
Small	23	2.0
Medium	15	5.3
Large	13	23.2
Total	51	8.4

7. Loan Commitments (millions) by Asset Size

Asset Size	Number	Average Commitments
Small	16	0.5
Medium	14	4.7
Large	13	27.9
Total	43	10.2

8. Composition of Commercial Loan Portfolio

Direct	Number	Percent
0-75%	4	8.0
80-95%	8	16.0
96% or more	38	76.0
Participations		
None	35	70.0
1-15%	9	18.0
20% or more	6	12.0

9. Loan Portfolio by Market Area

	Number of Members in Market Area		
Category	Local	Regional	National
Less than 25%	3	48	48
25-75%	3	3	2
75% or more	46	1	2

10. Predominant Market Area by Asset Size

Size	Local	Regional	National
Small*	23	1	0
Medium	12	2	1
Large	11	0	2

*Includes one bank with an even split between local and regional markets.

11. Records Management System

	Number	Percent
Automated	17	35
Manual	27	55
Combination	5	10

gage in commercial lending. This total represents approximately 12% of the industry. It comes as no surprise that the majority of these institutions were located in New York, Connecticut and Massachusetts, where almost three-quarters of the nation's savings banks are located (Table 1).

It will be noted that the response rate varied from one survey question to the next, reflecting the fact that every respondent did not answer every question.

To aid in discerning similarities and differences among institutions of different size, the respondents were divided into three categories according to asset size: "small" (up to $200 million); "medium" ($200 million–$800 million); and "large" ($800 million or more). Most of the respondents (44%) fell into the first category, while the remaining institutions were roughly equally divided between the medium and large categories (Table 2).

The overwhelming majority of savings banks engaged in commercial lending received the authority to make such loans only recently (Table 3). Only 20% of the respondents had such authority prior to 1980. This would appear to reflect the impact of federal legislation signed into law on Mar. 31, 1980, which authorized federal savings banks to engage in commercial lending, together with legislation enacted soon thereafter by several states to provide parity for state-chartered institutions.

The maximum permissible commercial loan portfolio for three-quarters of the responding banks is legally restricted to 5% or less of assets (Table 4). However, virtually all of the respondents are currently well below that ceiling, with a large majority having portfolios in the area of 1% of assets.

Respondents' commercial loans outstanding as of year-end 1981 varied widely, with 46% reporting portfolios of $800,000 to $7 million (Table 5). Portfolios of $800,000 or less were reported by 34%, while 20% had $7 million or more in commercial loans outstanding.

As might be expected, there was a great deal of variation between the average-size commercial loan portfolios among different size institutions (Table 6). The average of loan portfolios among smaller institutions was $2 million, while that for medium-size institutions was $5.3 million. By contrast, the average of large institutions was $23.2 million.

The size of the institution also had a strong bearing on the average size of loan commitments (Table 7). The average of total commitments at small institutions was $500,000, and at medium-size institutions $4.7 million. However, the average of total loan commitments at large institutions was $27.9 million.

As for the composition of commercial loan portfolios, only 12% of the respondent banks had 20% or more of their portfolios in participation loans, while the vast majority (76%) had virtually their entire portfolios in direct loans (Table 8).

The six banks heavily engaged in participations were all large institutions with assets of $800 million or more. Of these banks, two reported acting as "lead" in several of their participation loans. They stated that the benefits of acting as "lead" ranged from the ability to garner increased income through fees and compensating balances, to the ability to better service customers.

As might have been expected, the vast majority of savings banks engaged in commercial lending focused strongly on local markets (Table 9). Only two of the respondents had 75% or more of their portfolios in national markets, while only one bank had that proportion in the regional market. In terms of asset size, the few banks heavily involved in regional or national markets were either medium-size or large (Table 10).

Most savings banks engaged in commercial lending utilized a manual system of records management in connection with this activity (Table 11). Only 35% reported utilizing a fully automated system, while 10% operated under a combination of automated and manual systems.

According to the respondents, the major impediments to expansion of their commercial lending activities range from "lack of supporting services" and "commercial bank competition" to "lack of in-house expertise." The problem with supporting services is highlighted by the heavy reliance on manual rather than automated records management systems mentioned above.

Of course, the commercial-bank-competition impediment is not going to disappear, but savings banks that want to move into commercial lending can be helped to resolve their problem of insufficient in-house expertise. Indeed, the Committee on Commercial Lending recognizes the need for NAMSB to provide ongoing technical and management development programs in commercial lending tailored to meet the specific and unique needs of the industry. And committee members have already assisted in the design of several new education programs aimed at training savings bankers in this new lending function in the shortest period of time (see box).

Finally, savings bankers wishing to learn more about planning, organizing and operating a commercial loan department are referred to the two-part article by Commercial Loan Committee Chairman Graboys which appeared in the June and July issues of **SBJ**. **(END)**

NAMSB Education Programs In Commercial Lending

Working in close cooperation with experienced commercial lending officers, NAMSB's Department of Education and Management Development has designed three programs in the commercial lending area to meet the specific needs of savings banks at various skill and operational levels. Research into other programs, together with discussions within the Committee on Commercial Lending, pointed to the fact that education in this area should integrate all aspects of the lending function. The three programs are:

Commercial Credit Skills Workshop. A comprehensive technical training program on all aspects of commercial credit. (Sept. 27–Oct. 1, 1982; Apr. 11–15, 1983)

Loan Credit Officer Development Seminar. A broad-scale program exploring the whole process of commercial lending. (Oct. 18–22, 1982; Spring 1983 dates to be announced)

Advanced Seminars on Commercial Lending. More specialized one-day programs designed to provide for in-depth exploration of various aspects of the commercial lending function. (Scheduled as needed throughout the year)

Taken in succession, these three programs will encompass all phases of commercial lending, from credit investigation and analysis to the process of decision-making and negotiating final loan terms. For further information, call Roger Raber, director of NAMSB's School of Special Studies, at 212/973-4723.

100 Largest Savings Banks

ranked by June 30, 1982 deposits

At midyear, total deposits of the 100 largest savings banks as a group had increased only slightly from the total held by these banks at year-end 1981, according to the NAMSB Research Department. And the gain entirely was the result of interest credited.

Nevertheless, despite a lackluster six-month savings deposit experience, there were numerous shifts in deposit rankings among the industry's 100 largest, including many substantial moves upward. For example, among the 82 banks in this listing that moved up or down at least one notch, 47 moved up five steps or more. Also, there are seven savings banks that made the top 100 for the first time.

For the most part, the story of these ranking changes in the first half of 1982 is a story of mergers—voluntary and assisted, between individual savings banks and between savings banks and other types of thrifts, chiefly savings associations.

From year-end 1981 through mid-year, 11 of the 100 largest savings banks on this list merged a total of 15 financial institutions, with the acquiring banks thereby recording a spurt in deposits. And changes in the 100 largest list also came from the fact that four of the merged banks had been on the list as of last December 31: The New York Bank for Savings, New York City—No. 8; The Western Saving Fund Society of Philadelphia, Pa.—No. 14; The Western New York Savings Bank, Buffalo—No. 41; and the United States Savings Bank of Newark, N.J.—No. 65.

Equally significant in opening up the list to ranking-change movements, three savings banks that were among the top 100 at year-end 1981 are absent from this ranking, because of inter-industry mergers: The Farmers and Mechanics Savings Bank of Minneapolis, Minn., No. 44, and Fidelity Mutual Savings Bank, Spokane, Wash., No. 46, were acquired by commercial banks, and The Schenectady (N.Y.) Savings Bank, fsb, merged a troubled federal S&L and adopted its charter to become the Northeast Savings.

The Philadelphia (Pa.) Saving Fund Society, the largest savings bank for over five years, lost its position for one week in April, but then regained the top spot when it merged The Western Saving Fund Society of Philadelphia. Replacing the PSFS as the industry's largest for that week in April was the Buffalo (N.Y.) Savings Bank when it took over The New York Bank for Savings just a few months after it merged The Western Bank for Savings. It was these acquisitions that pushed the Buffalo Savings from number five last year to number two this year. Interestingly, the Buffalo Savings moved up from number seven last June 30 to number five after its mid-December merger of the Union Dime Savings Bank, New York City.

Two of the steepest jumps in ranking in the first half of 1982 came after the savings banks merged other mutuals. The Hudson City Savings Bank of Jersey City, N.J., acquired the United States Savings Bank of Newark and advanced 14 steps. The Peoples Westchester Savings Bank, Hawthorne, N.Y., merged with the Greenburgh Savings Bank, Dobbs Ferry, and the Peekskill Savings Bank and jumped up 15 steps.

Another three-way merger created a Maine savings bank new to the 100 largest list. Officially recorded on July 1, the merger of Penobscot Savings Bank, Bangor; Waterville Savings Bank and Heritage Savings Bank, Rockland, under the latter's name, produced the industry's 90th largest-deposits institution.

And the volatile ranking shifts among the 100 largest are far from over. Not only were savings banks continuing to merge, but last month, the Erie Savings Bank, fsb, Buffalo, N.Y., number eight in this list, converted to a federal S&L and, thus, will move off the list of the 100 largest when next published.

Rank on 6-30-82		Deposits in thousands of dollars	Rank on 12-31-81
1.	**The Philadelphia (Pa.) Saving Fund Society**	**$8,505,494**	1.
2.	**Buffalo (N.Y.) Savings Bank**	**7,162,117**	5.
3.	**The Dime Savings Bank of New York, New York City**	**5,567,259**	2.
4.	**Metropolitan Savings Bank, New York City**	**5,119,656**	3.
5.	**The Bowery Savings Bank, New York City**	**4,654,045**	4.
6.	**The Howard Savings Bank, Newark, N.J.**	**2,863,494**	7.
7.	**Emigrant Savings Bank, New York City**	**2,821,149**	6.
8.	**Erie Savings Bank, fsb, Buffalo, N.Y.**	**2,509,738**	10.
9.	**Dollar Savings Bank, New York City**	**2,459,232**	9.
10.	**The Manhattan Savings Bank, New York City**	**2,140,328**	13.
11.	**American Savings Bank, New York City**	**2,120,440**	11.
12.	**The Williamsburgh Savings Bank, New York City**	**2,088,451**	12.
13.	**People's Savings Bank-Bridgeport, Conn.**	**2,073,638**	15.
14.	**Anchor Savings Bank, fsb, New York City**	**1,991,072**	17.
15.	**Dry Dock Savings Bank, New York City**	**1,976,614**	16.
16.	**Washington Mutual Savings Bank, Seattle**	**1,850,117**	19.
17.	**Hudson City Savings Bank, Paramus, N.J.**	**1,709,272**	31.
18.	**The Lincoln Savings Bank, New York City**	**1,706,736**	18.
19.	**The Greater New York Savings Bank, New York City**	**1,671,544**	20.

100

Rank on 6-30-82		Deposits in thousands of dollars	Rank on 12-31-81
20.	Albany (N.Y.) Savings Bank, fsb	1,657,345	26.
21.	The Seamen's Bank for Savings, New York City	1,597,602	21.
22.	Beneficial Mutual Savings Bank, Philadelphia, Pa.	1,590,061	23.
23.	East River Savings Bank, New York City	1,589,420	22.
24.	Society for Savings, Hartford, Conn.	1,556,788	24.
25.	Harlem Savings Bank, New York City	1,422,296	25.
26.	Germantown Savings Bank, Bala-Cynwyd, Pa.	1,302,001	27.
27.	The Green Point Savings Bank, New York City	1,272,282	32.
28.	Dollar Savings Bank, Pittsburgh, Pa.	1,228,149	28.
29.	Jamaica Savings Bank, New York City	1,158,321	29.
30.	The Community Savings Bank, Rochester, N.Y.	1,123,024	33.
31.	The Long Island Savings Bank, New York City	1,111,635	34.
32.	Peoples Westchester Savings Bank, Hawthorne, N.Y.	1,061,830	47.
33.	The Savings Bank of Baltimore, Md.	1,037,595	36.
34.	The Boston (Mass.) Five Cents Savings Bank	1,025,658	42.
35.	East New York Savings Bank, New York City	998,395	37.
36.	Mutual Bank For Savings, Boston, Mass.	993,062	35.
37.	Onondaga Savings Bank, Syracuse, N.Y.	950,982	39.
38.	Independence Savings Bank, New York City	946,121	38.
39.	Rochester (N.Y.) Savings Bank	919,589	40.
40.	Syracuse (N.Y) Savings Bank	867,014	45.
41.	The Provident Institution for Savings, Boston, Mass.	816,921	43.
42.	Roosevelt Savings Bank, New York City	812,395	46.
43.	Connecticut Savings Bank, New Haven	797,095	51.
44.	Ridgewood Savings Bank, New York City	786,047	49.
45.	The New Haven (Conn.) Savings Bank	780,791	52.
46.	United Mutual Savings Bank, New York City	772,769	48.
47.	Wilmington (Del.) Savings Fund Society	757,009	50.
48.	The Morris County Savings Bank, Morristown, N.J.	734,877	53.
49.	The Queens County Savings Bank, New York City	696,464	54.
50.	Citizens Savings Bank, Providence, R.I.	696,279	55.
51.	Provident Savings Bank, Jersey City, N.J.	676,996	60.
52.	Neworld Bank, Boston, Mass.	673,666	56.
53.	Provident Savings Bank of Baltimore, Md.	668,580	62.
54.	Home & City Savings Bank, Albany, N.Y.	665,749	57.
55.	Hamburg Savings Bank, New York City	657,171	58.
56.	The Banking Center, Waterbury, Conn.	649,915	63.
57.	Eastern Savings Bank, New York City	649,486	59.
58.	Richmond Hill Savings Bank, New York City	618,083	61.
59.	The Roslyn (N.Y.) Savings Bank	617,012	64.
60.	Monroe Savings Bank, Rochester, N.Y.	586,982	68.
61.	The Binghamton (N.Y.) Savings Bank	581,619	67.
62.	The Savings Bank of Utica, N.Y.	536,757	71.
63.	Staten Island Savings Bank, New York City	529,778	69.
64.	The Dime Savings Bank of Williamsburgh, New York City	524,846	70.
65.	Springfield (Mass.) Institution for Savings	524,010	72.
66.	Worcester (Mass.) County Institution for Savings	504,070	73.
67.	Mechanics and Farmers Savings Bank, Bridgeport, Conn.	493,033	76.
68.	Harmonia Savings Bank, Elizabeth, N.J.	490,641	75.
69.	American Savings Bank, New Britain, Conn.	490,328	79.
70.	Orange Savings Bank, Livingston, N.J.	488,280	74.
71.	Maine Savings Bank, Portland	487,465	78.
72.	New Brunswick (N.J.) Savings Bank	460,172	80.
73.	North Side Savings Bank, New York City	455,404	77.
74.	Bloomfield (N.J.) Savings Bank	454,431	81.
75.	The Poughkeepsie (N.Y.) Savings Bank, fsb	441,707	83.
76.	The Permanent Savings Bank, Niagara Falls, N.Y.	439,391	82.
77.	South Boston Savings Bank, Boston, Mass.	438,517	84.

Rank on 6-30-82		Deposits in thousands of dollars	Rank on 12-31-81
78.	Eastern Savings Bank, Lynn, Mass.	433,517	85.
79.	Amoskeag Savings Bank, Manchester, N.H.	427,666	86.
80.	Mechanics Savings Bank, Hartford, Conn.	411,380	87.
81.	The Perth Amboy (N.J.) Savings Institution	392,128	89.
82.	Lincoln Mutual Savings Bank, Spokane, Wash.	387,817	88.
83.	The Home Savings Bank, White Plains, N.Y.	384,299	91.
84.	Union Warren Savings Bank, Boston, Mass.	383,171	90.
85.	The Troy (N.Y.) Savings Bank	378,029	92.
86.	Eastchester Savings Bank, Mount Vernon, N.Y.	378,026	93.
87.	New Bedford (Mass.) Institution for Savings	376,668	98.
88.	Burlington (Vt.) Savings Bank	372,157	94.
89.	Riverhead (N.Y.) Savings Bank	364,079	95.
90.	Heritage Bank for Savings, Waterville, Me.	353,091	—.
91.	Community Savings Bank, Holyoke, Mass.	351,577	96.
92.	Peoples Savings Bank, Worcester, Mass.	350,569	97.
93.	New England Savings Bank, New London, Conn.	346,344	—.
94.	The Liberty Bank For Savings, Middletown, Conn.	344,225	—.
95.	Richmond County Savings Bank, New York City	340,901	99.
96.	National Savings Bank, Albany, N.Y.	327,968	—.
97.	Woonsocket (R.I.) Institution for Savings	326,242	—.
98.	BancOne of Connecticut, Bridgeport	325,010	—.
99.	Home Savings Bank, Boston, Mass.	320,935	100.
100.	Cambridge (Mass.) Savings Bank	314,065	—.
	Total deposits, 100 largest	$117,244,166	
	Total deposits, all savings banks	$154,273,039	

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Mortgaging trends

Rates mixed. The average effective interest rate on mortgages for new homes rose to 15.7% in July from June's 15.4%, while the average effective interest rate on mortgages for existing homes dropped a bit to 15.52% in July from 15.56% in June, the FHLB Board said last month.

The Bank Board also reported that for new homes in July, the average term-to-maturity increased to 28.4 years from 27.4 years, while the average purchase price rose to $98,400 from $89,400.

And, for existing homes, the average term-to-maturity declined slightly in July to 25.2 years from 25.4 years, and the average purchase price also dropped slightly to $71,100 from $71,200 in June.

Starts rise. Housing starts soared in July to a seasonally adjusted annual rate of 1.2 million, up 34% from 906,000 in June, the Commerce Department reported last month. It was the largest month-to-month increase since the department began collecting data in 1959.

The rise was entirely in the multifamily sector, where total starts increased to an annual rate of 597,000 in July from 290,000 in June. In the single-family sector, starts fell slightly to an annual rate of 614,000 in July from 616,000 in June.

Building permits also rose, the department said, to a seasonally adjusted annual rate of 1.1 million in July, from 929,000 the previous month. Here, as well, the rise was in the multifamily sector, where permits increased to 604,000 from 413,000. Single-family permits fell to 499,000 in July from 516,000.

Launches GEM program. The Federal Home Loan Mortgage Corp. in conjunction with Merrill Lynch & Co., Inc. and Salomon Brothers, Inc., recently introduced a joint program involving the purchase and resale to investors of $500 million of "growing equity mortgage" (GEM) loans—a relatively new type of mortgage based on accelerated payment of principal.

Under the coordinated program, the FHLMC will purchase GEMs on one- to four-family homes from lenders in exchange for GEM participation certificates guaranteed by the Mortgage Corporation, and Merrill Lynch and Salomon will resell the GEM PCs to pension funds and other institutional investors. Lenders/sellers pay a commitment fee of 1.5% or the contract amount.

Lenders had their first opportunity to offer GEMs for future delivery to the FHLMC at an August 11 auction. However, FHLMC reported that no offers were received. A corporation spokeswoman said the FHLMC was "not surprised" by the lack of response, because borrowers are not familiar with GEMs, the loans must be new originations and material about the GEM auction was sent out late to lenders. GEM auctions are slated to be held weekly.

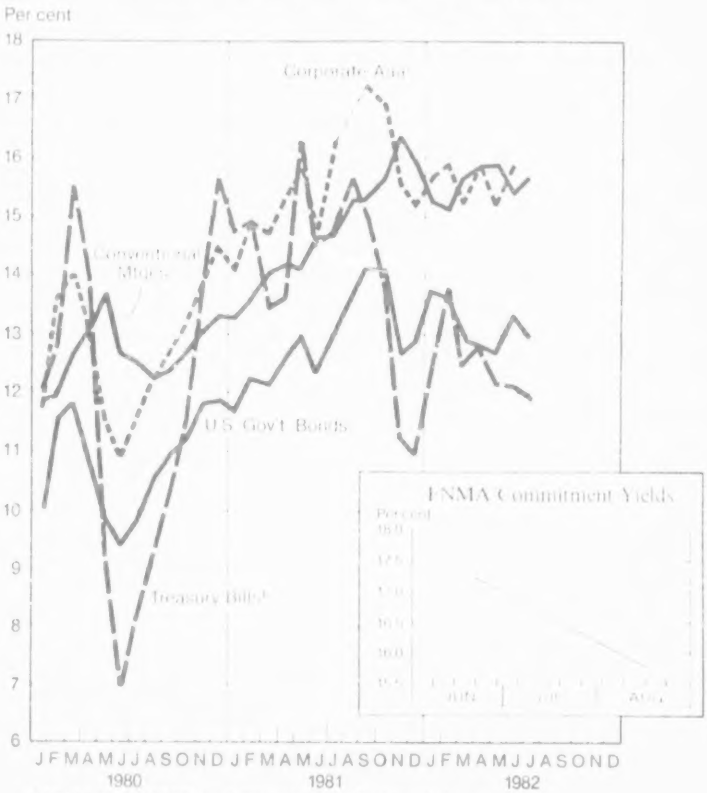
At a July 28 press briefing unveiling the new program, officials of the three financial organizations predicted that the $500 million would sell out in four months. It will be decided then whether the pilot program will be extended.

For this program, FHLMC is accepting GEMs written as fixed-rate loans with a maximum 25-year amortization schedule, and with annual payment increases of 4%. The monthly payment increases are applied in full to principal, thereby reducing the mortgage maturity from 25 years to 15 years or less. Buydown-plan mortgages are also permitted under the program.

Using this principal reduction schedule, borrowers, while paying 4% more a year, save about half the total interest-cost of a 25-year, level-payment mortgage. In effect, borrowers give up the tax benefits of a longer-term mortgage for equity build-up.

Meanwhile, the Federal National Mortgage Association on September 1 was expected to begin issuing mortgage-backed securities backed by GEMs.

SBJ Money and Capital Market Yield Trends



MARKET YIELD TRENDS— 1. New issues. 2. Effective rate for purchase of new single family homes. 3. Maturing or callable in 10 years or more. 4. Three months, new issue rate.
FNMA COMMITMENT YIELDS— Data are average yields on mortgage commitment bids accepted by the Federal National Mortgage Association at its biweekly auctions. Data are for 120-day bids. Yields are gross of $\frac{3}{8}$% servicing fee. Figures assume 30-year mortgages with an assumed prepayment period of 12 years.

savings bank statistics

Heavy deposit outflows in July ■ Interest rate declines brighten prospects ■ Small saver CDs increase substantially

Prepared by NAMSB's Research Department • Jack Rubinson, Director

NET CHANGE IN REGULAR DEPOSITS IN SAVINGS BANKS

(Amounts in millions of dollars)

Period	Monthly and Annually			
	Excluding Interest		Including Interest	
	Amount	%	Amount	%
Annually				
1978	−591	−.45	7,697	5.80
1979	−6,962	−4.93	2,659	1.88
1980	−4,863	−3.38	6,851	4.76
1981	−13,759	−9.09	757	.50
Monthly				
1982				
Feb.	264	.17	579	.38
Mar.	868	.57	1,124	.74
Apr.	−1,800	−1.18	977	.64
May	−654	−.43	232	.15
June	−1,226	−.81	730	.48
July (est.)	−1,100	−.72	−200	.13

State	Change by States							
	June 1982				June 1981			
	Excluding Interest		Including Interest		Excluding Interest		Including Interest	
	Amount	%	Amount	%	Amount	%	Amount	%
Conn.	69	.47	58	.39	107	−.77	19	.14
Me.	10	.38	10	.39	−12	.45	8	.32
Md.	12	.67	4	.24	7	.42	8	.49
Mass.	153	.71	22	.10	182	.85	27	.13
N.H.	14	.54	6	.22	20	.80	3	.11
N.J.	64	.69	18	.19	49	.54	5	.06
N.Y.	602	.77	668	.86	745	−.94	572	.73
− City	425	.84	477	.94	−605	−1.10	450	.81
− Upstate	178	.66	191	.70	140	.59	122	.52
Penn.	213	1.64	71	.55	−124	−.98	1	.01
R.I.	21	1.17	2	.10	14	−.85	6	.36
Vt.	12	1.29	6	.63	11	1.25	9	−1.07
Wash.	33	1.00	34	1.04	71	−1.79	5	.13
TOTAL	−1,226	.81	730	.48	−1,387	−.91	542	.36

Note: Regular deposits excludes special purpose accounts such as checking, school and club. est.—estimated.

ASSETS AND LIABILITIES OF ALL SAVINGS BANKS

(Amounts in millions of dollars)

Date	Mtges.	Mtge-backed	Investments				Other assets	Total assets-total liabilities & gen. res. accts.	Deposits				Other liabilities	General reserve accounts
			U.S. Govt & Federal agencies	State & Local Govt.	Corp bonds	Corp stocks			Total[1]	Savings	Time			
											Market-linked[2]	Other		
Year-end														
1977	88,195	8,331	9,233	2,828	21,498	4,751	12,450	147,287	134,017	78,005	—	54,739	3,292	9,978
1978	95,157	10,021	8,297	3,333	21,566	4,807	14,991	158,174	142,701	71,816	13,000	56,354	4,565	10,907
1979	98,908	11,820	7,658	2,930	20,507	4,760	16,821	163,405	146,006	61,123	34,996	47,951	5,873	11,525
1980	99,865	13,849	8,949	2,390	21,209	4,224	21,078	171,564	153,501	53,971	62,981	34,464	6,694	11,368
Month-end														
1981														
July	100,095	13,974	9,361	2,291	20,589	3,811	24,457	174,578	153,757	50,593	72,306	28,494	10,156	10,665
Aug.	99,987	13,965	9,369	2,326	20,446	3,770	24,899	174,761	153,120	49,003	74,677	27,073	11,124	10,516
Sept.	99,944	13,994	9,594	2,323	20,384	3,740	25,255	175,234	153,412	49,254	76,049	25,769	11,459	10,364
Oct.	99,903	14,079	9,765	2,394	20,302	3,727	25,523	175,693	154,066	48,238	78,931	24,806	11,513	10,114
Nov.	99,879	13,893	9,508	2,271	20,268	3,713	25,727	175,258	153,809	48,456	79,773	23,558	11,434	10,015
Dec.	99,997	13,911	9,810	2,288	20,249	3,630	25,843	175,728	155,110	49,425	80,387	23,192	10,632	9,986
1982														
Jan.	99,788	13,948	9,991	2,290	20,288	3,613	26,020	175,938	154,843	48,898	81,825	22,078	11,280	9,814
Feb.	98,838	14,030	9,966	2,293	20,186	3,565	26,885	175,763	154,626	48,297	82,997	21,321	11,464	9,672
Mar.	97,464	13,738	10,072	2,276	20,166	3,475	27,585	174,776	154,021	48,412	83,402	20,164	11,132	9,622
Apr.	97,160	13,793	10,146	2,269	20,256	3,424	27,765	174,813	153,187	47,733	83,992	19,296	12,141	9,485
May	96,334	13,990	9,968	2,259	20,079	3,417	28,905	174,952	153,354	47,895	84,898	18,460	12,246	9,352
June	96,346	14,072	10,112	2,253	19,507	3,379	29,423	175,091	154,273	47,942	85,982	18,106	11,230	9,588
July (Est.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	154,098	n.a.	86,625	n.a.	n.a.	n.a.
% of Total Assets June 30, 1982	55.0	8.0	5.8	1.3	11.1	1.9	16.8	100.0	88.1	27.4	49.1	10.3	6.4	5.5
Change during month	−38	81	144	−6	−571	−38	508	80	872	32	1,061	−364	−1,028	236

Note: Balance sheet data beginning with April 30, 1979 are not strictly comparable with prior months. This largely reflects: (1) changes in FDIC reporting procedures; and (2) reclassification of certain items. n.a.—not available. Est.—estimated. Source: NAMSB.

[1] — Total deposit figures include checking, school, club and certain other accounts not shown separately.

[2] — Market-linked figures include 91 day 6-mo. MMCs, 30-mo. SSCs, and All Savers Certificates.

Savings Bank Journal

October 1982

Official publication of the National Association of Mutual Savings Banks

New Yorkers Meet... Search for Solutions

TRYING TO SPEED UP LOW-YIELD MORTGAGE PAYDOWNS

A Lesson for Bank Trainers
(in visual training aids)

Also: Mortgage Rates Slip, Most Lenders 'Cautious' ■ Seminars Explore Elements of Merger Process ■ Another State OK's New Accounting Method ■ New York's Trust Company Markets Brokerage Service ■ Large New York Mutuals Propose Merger

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Mortgaging trends

Rates mixed. The average effective interest rate on mortgages for new homes dropped in August to 15.68% from 15.7% in July, while the average effective interest rate on mortgages for existing homes increased to 15.59% in August from 15.52%, the FHLB Board reported last month.

The FHLB Board also said that for new home mortgages written in August, the average term-to-maturity decreased to 26.4 years from 28.4 years in July, and the average purchase price dropped to $91,400 from $98,400. For existing homes in August, the average term-to-maturity fell to 24.9 years from 25.2 years, and the average purchase price was $69,200, down from $71,100 in July.

Starts fall. Housing starts retreated in August to a seasonally adjusted annual rate of 1 million, compared with 1.2 million the previous month, the Commerce Department said last month.

In the single-family sector, starts fell in August to an annual rate of 610,000 from 625,000 in July. Total multifamily starts in August declined to an annual rate of 392,000 from 570,000 the previous month.

The Commerce Department also reported a drop in building permits: in the single-family sector, building permits fell to a seasonally adjusted annual rate of 494,000 in August from 500,000 in July. Total multifamily permits declined to 392,000 from 562,000.

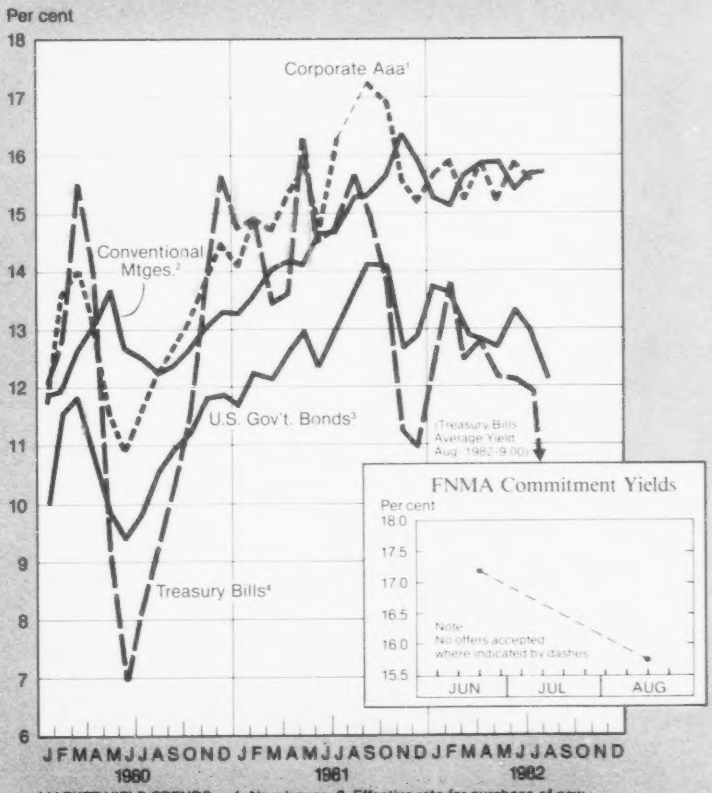
Cites mortgage preferences. The traditional fixed-rate mortgage continues to be the preferred financing mechanism among all mortgage instruments, according to a survey conducted by Louis Harris & Associates, Inc., for the Federal National Mortgage Association.

The survey results, released last month, show that 53% of home owners and renters interviewed would select a traditional mortgage when buying a home. Graduated payment mortgages and the relatively new growing equity mortgages were ranked the most attractive alternative instruments if a fixed-rate mortgage was unavailable.

Once alternative mortgages were explained to them, 29% of those interviewed said they would select a GPM; 22%, a GEM; 16%, a variable rate or adjustable rate mortgage; 4%, a balloon mortgage; and 4%, a shared appreciation mortgage. In addition, 13% had no second choice and 10% were undecided.

However, the survey found that while 42% of those surveyed are aware of newer types of mortgages, most respondents were unclear on how they work. This finding led survey sponsors to call for efforts to inform the public about these mortgage options.

SBJ Money and Capital Market Yield Trends



MARKET YIELD TRENDS— 1. New issues. 2. Effective rate for purchase of new single-family homes. 3. Maturing or callable in 10 years or more. 4. Three months, new issue rate.

FNMA COMMITMENT YIELDS— Data are average yields on mortgage commitment bids accepted by the Federal National Mortgage Association at its biweekly auctions. Data are for 120-day bids. Yields are gross of $\frac{3}{8}$% servicing fee. Figures assume 30-year mortgages with an assumed prepayment period of 12 years.

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savings bank statistics

Deposit losses continue to be heavy at savings banks ■ But 30-month small saver CD growth remains strong

Prepared by NAMSB's Research Department • Jack Rubinson, Director

NET CHANGE IN REGULAR DEPOSITS IN SAVINGS BANKS

(Amounts in millions of dollars)

Period	Monthly and Annually			
	Excluding Interest		Including Interest	
	Amount	%	Amount	%
Annually				
1978	-591	-.45	7,697	5.80
1979	-6,962	-4.93	2,659	1.88
1980	-4,863	-3.38	6,851	4.76
1981	-13,759	-9.09	757	.50
Monthly				
1982				
Mar.	-868	-.57	1,124	.74
Apr.	-1,800	-1.18	-977	-.64
May	-654	-.43	232	.15
June	-1,226	-.81	730	.48
July	-1,065	-.70	-186	-.12
Aug. (est.)	-850	-.56	50	.03

State	Change by States							
	July 1982				July 1981			
	Excluding Interest		Including Interest		Excluding Interest		Including Interest	
	Amount	%	Amount	%	Amount	%	Amount	%
Conn.	-90	-.61	29	.20	-124	-.90	-12	-.08
Me.	10	.36	30	1.15	-9	-.35	10	.40
Md.	-18	-1.01	-8	-.46	-18	-1.03	-8	-.49
Mass.	-66	-.31	99	.46	-194	-.91	-27	-.13
N.H.	-2	-.06	22	.86	-13	-.53	4	.15
N.J.	-31	-.34	51	.54	-63	-.71	10	.11
N.Y.	-809	-1.03	-480	-.61	-1,462	-1.83	-1,171	-1.47
-City	-543	-1.06	-368	-.72	-1,187	-2.12	-1,026	-1.83
-Upstate	-266	-.97	-113	-.41	-275	-1.16	-146	-.61
Penn.	-22	-.17	67	.52	18	.15	98	.77
R.I.	-6	-.32	5	.28	2	.14	12	.73
Vt.	1	.11	6	.64	-8	-1.01	-3	-.39
Wash.	-24	-.73	-2	-.06	-71	-1.80	-62	-1.57
TOTAL	-1,065	-.70	-186	-.12	-1,935	-1.27	-1,133	-.74

Note: Regular deposits excludes special purpose accounts such as checking, school and club.

ASSETS AND LIABILITIES OF ALL SAVINGS BANKS

(Amounts in millions of dollars)

Date	Mtges.	Mtge.-backed	Investments				Other assets	Total assets-total liabilities & gen. res. accts.	Deposits				Other liabilities	General reserve accounts
											Time			
			U.S. Govt. & Federal agencies	State & Local Govt.	Corp. bonds	Corp. stocks			Total[1]	Savings	Market-linked[2]	Other		
Year-end														
1977	88,195	8,331	9,233	2,828	21,498	4,751	12,450	147,287	134,017	78,005	—	54,739	3,292	9,978
1978	95,157	10,021	8,297	3,333	21,566	4,807	14,991	158,174	142,701	71,816	13,000	56,354	4,565	10,907
1979	98,908	11,820	7,658	2,930	20,507	4,760	16,821	163,405	146,006	61,123	34,996	47,951	5,873	11,525
1980	99,865	13,849	8,949	2,390	21,209	4,224	21,078	171,564	153,501	53,971	62,981	34,464	6,694	11,368
Month-end														
1981														
Aug.	99,987	13,965	9,369	2,326	20,446	3,770	24,899	174,761	153,120	49,003	74.677	27,073	11,124	10,516
Sept.	99,944	13,994	9,594	2,323	20,384	3,740	25,255	175,234	153,412	49,254	76,049	25,769	11,459	10,364
Oct.	99,903	14,079	9,765	2,394	20,302	3,727	25,523	175,693	154,066	48,238	78,931	24,806	11,513	10,114
Nov.	99,879	13,893	9,508	2,271	20,268	3,713	25,727	175,258	153,809	48,456	79,773	23,558	11,434	10,015
Dec.	99,997	13,911	9,810	2,288	20,249	3,630	25,843	175,728	155,110	49,425	80,387	23,192	10,632	9,986
1982														
Jan.	99,788	13,948	9,991	2,290	20,288	3,613	26,020	175,938	154,843	48,898	81,825	22,078	11,280	9,814
Feb.	98,838	14,030	9,966	2,293	20,186	3,565	26,885	175,763	154,626	48,297	82,997	21,321	11,464	9,672
Mar.	97,464	13,738	10,072	2,276	20,166	3,475	27,585	174,776	154,021	48,412	83,402	20,164	11,132	9,622
Apr.	97,160	13,793	10,146	2,269	20,256	3,424	27,765	174,813	153,187	47,733	83,992	19,296	12,141	9,485
May	96,334	13,990	9,968	2,259	20,079	3,417	28,905	174,952	153,354	47,895	84,898	18,460	12,246	9,352
June	96,346	14,072	10,112	2,253	19,507	3,379	29,423	175,091	154,273	47,942	85,982	18,106	11,230	9,588
July	96,231	14,111	10,036	2,247	19,151	3,408	30,379	175,563	154,204	47,534	86,735	17,575	11,940	9,419
Aug. (Est.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	154,304	n.a.	87,095	n.a.	n.a.	n.a.
% of Total Assets July 31, 1982	5[illegible].8	8.0	5.7	1.3	10.9	1.9	17.3	100.0	87.8	27.1	49.4	9.9	6.8	5.4
Change during month	-115	40	-76	-6	-356	29	956	471	-69	-408	753	-531	709	-169

Note: Balance sheet data beginning with April 30, 1979 are not strictly comparable with prior months. This largely reflects: (1) changes in FDIC reporting procedures; and (2) reclassification of certain items. n.a.—not available. Est.—estimated. Source: NAMSB.

[1]— Total deposit figures include checking, school, club and certain other accounts not shown separately.

[2]— Market-linked figures include 91-day, 6-mo. MMCs, 30-mo. SSCs, and All Savers Certificates.

Table 1

Income and Expenses of Savings Banks, by States, 1981

(in millions of dollars)

Item	Total	New York	Mass	Conn	Pa	N J	Wash	Me	N H	Md	R I	All other states
Total operating income	16,440	8,031	2,396	1,669	1,367	1,029	504	307	306	206	206	419
Interest and dividends on securities	4,435	2,569	686	247	355	274	44	63	50	33	35	80
U S Government and agency obligations	2,135†	1,193	n a	104	152	173	29	39	30	19	26	48
Other securities	2,299†	1,376	n a	143	203	101	15	24	20	14	8	32
Net interest and discount on loans	11,107	5,123	1,660	1,332	899	600	417	227	242	149	151	309
Mortgage loans	8,981†	4,265	n a	1,053	638	478	357	183	186	101	115	264
Other loans	2,126†	858	n a	279	261	122	60	44	56	48	35	45
Other operating income	898	339	49	91	114	155	43	17	14	24	21	30
Operating expenses	3,424	1,751	456	318	212	208	163	67	63	42	36	106
Net operating income after expenses	13,016	6,280	1,940	1,351	1,156	820	340	240	243	164	171	312
Interest paid depositors	14,680	7,582	1,877	1,412	1,310	911	406	248	243	158	166	369
Net operating income after expenses and interest	-1,663	-1,302	62	-61	-154	-90	-65	-8	*	6	5	-57
Net realized gains or losses on asset transactions	90	121	-73	17	12	11	1	1	1	1	1	-1
Taxes	136	-27	3	26	-39	-19	-16	-3	*	1	1	-11
Federal	-247	-101	-30	26	-39	-18	-16	3	-2	*	-1	-11
State, local and franchise	111	74	33	*	*	*	*	*	2	1	2	*
Retained earnings	-1,438	-1,154	14	17	-103	-61	-49	-4	*	6	5	-47

n.a.—not available.
*Less than $500,000.
†Partly estimated; separate data for Massachusetts are not available.
SOURCE: NAMSB.

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EQUAL HOUSING LENDER

Table 2

Income and Expense Ratios for Savings Banks, by States, 1981

(in per cent)

Item	Total	New York	Mass	Conn	Pa	N J	Wash	Me	N H	Md	R I	All other states
Ratios to total assets												
Total operating income	9.42	8.83	9.96	10.44	9.55	10.05	10.30	10.41	10.62	10.33	10.64	9.97
Total operating expenses	1.96	1.92	1.90	1.99	1.48	2.03	3.34	2.28	2.19	2.11	1.85	2.53
Interest paid depositors	8.42	8.33	7.80	8.83	9.14	8.89	8.30	8.40	8.44	7.91	8.55	8.78
Retained earnings	−.82	−1.27	−.06	−.11	−.72	−.59	−.99	−.13	.01	.31	.24	−1.11
Ratios to total deposits												
Interest paid depositors	9.48	9.37	8.78	10.02	10.07	9.86	10.19	9.61	9.63	8.95	9.56	10.04
Retained earnings	−.93	−1.43	−.07	−.12	−.80	−.66	−1.22	−.14	.01	.35	.27	−1.27
Ratios to securities held												
Interest on U.S. Government and agency securities	9.08†	8.66	n.a.	10.37	10.00	9.58	9.00	11.22	10.37	9.60	10.16	10.86
Interest and dividends on other securities	8.09†	8.12	n.a.	8.63	7.30	7.99	8.78	9.28	9.50	9.74	8.45	7.85
Interest and dividends on total securities	8.54†	8.36	n.a.	9.28	8.25	8.93	8.93	10.39	10.00	9.66	9.68	9.41
Ratio to mortgage loans												
Net interest and discount on mortgage loans	8.89†	8.43	n.a.	9.84	9.04	9.06	9.98	9.83	10.19	9.37	9.57	9.57

n.a.—not available.
†Ratio computed on basis of data from states other than Massachusetts.
NOTE: Ratios are computed from data in Table 1 and average asset and liability figures.
SOURCE: NAMSB.

Table 3

Income and Expense Ratios for Savings Banks, by Deposit Size, 1981

(in per cent)

Item	Total	Deposit size (in millions of dollars)							
		Less than 25.0	25.0 to 49.9	50.0 to 99.9	100.0 to 249.9	250.0 to 499.9	500.0 to 999.9	1,000.0 to 1,999.9	2,000.0 or over
Ratios to total assets:									
Total operating income	9.42	10.13	10.62	9.84	10.00	10.02	9.55	9.50	8.68
Total operating expenses	1.96	2.28	2.01	1.77	1.89	1.87	1.98	2.24	1.87
Interest paid depositors	8.42	7.78	8.43	8.11	8.36	8.55	8.58	8.42	8.39
Retained earnings	−.82	.05	−.06	−.13	−.26	−.37	−.82	−.98	−1.31
Ratios to total deposits:									
Interest paid depositors	9.48	8.56	9.40	8.99	9.31	9.54	9.63	9.68	9.45
Retained earnings	−.93	.06	−.07	−.14	−.29	−.41	−.92	−1.12	−1.48
Ratios to securities held:									
Interest on U.S. Government and agency securities†	9.08	10.01	11.26	10.51	9.97	9.41	9.35	9.28	8.23
Interest and dividends on other securities†	8.09	9.29	8.62	8.97	9.36	8.31	8.37	8.40	7.59
Interest and dividends on total securities†	8.54	9.71	9.89	9.77	9.65	8.91	8.84	8.90	7.82
Ratio to mortgage loans:									
Net interest and discount on mortgage loans†	8.89	9.64	9.84	9.73	9.50	9.53	8.92	8.97	8.31

†Ratios are computed on basis of data from states other than Massachusetts.
SOURCE: NAMSB.